Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Dha0.700	Iran	Rls210	Philippines	Pes40
Belgium	BFr50	Israel	IS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr9.50
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£2.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	[illegible]	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh6.50	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,956 — Tuesday September 26 1989 — D 8523A

AIR TRAFFIC

Grounds for unity in Europe's skies

Page 3

World News

Soviets plan cuts in defence budget

President Mikhail Gorbachev opened the Supreme Soviet, calling for deputies to support austerity as Finance Minister Valentin Pavlo outlined budget plans including defence cuts, the sale of loss-making enterprises and a bonds issue to halve budget deficits. Page 24; Greenspan visit, Page 6

Cambodian war

Cambodia's war against Vietnam turned into a civil war as Vietnamese troops streamed out of Phnom Penh to end an 11-year occupation. Page 24

BNL arson inquiry

Italian police are investigating a suspected arson attack on a Rome branch of the Banca Nazionale del Lavoro, the Italian bank at the centre of a scandal over export loan commitments to Iraq. Page 2

German states

Hans-Dietrich Genscher, West German Foreign Minister, is in favour of confederation between the two German states. Page 2

Kaifu wins support

Toshiki Kaifu, the Japanese Prime Minister, has succeeded in rebuilding a measure of public support for the ruling Liberal Democratic Party. Page 4

Hungarian reform

The Hungarian Parliament is to begin debating reforms leading to a multi-party system. Page 3

Indian rally

Indian opposition leaders took part in a political rally in Delhi which is likely to erode confidence in the ruling Congress Party that it will win this year's general election. Page 6

S Korean outrage

Members of South Korea's National Assembly expressed outrage over a decision by the Seoul Prosecutor's Office to investigate 21 of them for alleged wrong doing. Page 6

S African boycott

A nationwide consumer boycott of white-owned South African shops had a mixed response, with some shops reporting a 90 per cent drop in sales while others said effects were small. Page 6

Danish ship fire

Two people were killed and four injured when a fire broke out on a Danish ferry bound for Britain. Page 2

Lockerbie inquiry

Investigations into the bombing of a Pan Am Boeing 747 over Lockerbie, Scotland may point to a company link with the arrest of 14 Palestinians in West Germany, according to a British investigator.

Danube swim

Eighty-six East Germans swam the river Danube illegally to Hungary from Czechoslovakia on their way to the West.

Nicaraguan policy

Nicaragua's ruling Sandinistas promised to shift resources from defence to agricultural co-operatives and agro-export production. Page 6

Rembrandt's bones

Dutch scholars have excavated a grave under the floor of an Amsterdam church in search of the bones of Rembrandt. Researchers believe he may have been buried alongside his son.

Business Summary

OPEC nears agreement on production ceiling

OIL ministers from the Organisation of Petroleum Exporting Countries (Opec) are putting the final touches on an agreement to raise the Opec production ceiling to 21m barrels a day. Page 24

RJR NABISCO, US tobacco and food group, sold most of its Del Monte processed food business for $1.475bn after Merrill Lynch, Wall Street investment bank, stepped in to rescue the deal. Page 25

INSTITUT Mérieux, French biotechnology company, lifted its offer for Connaught BioSciences, Canadian vaccines producer, to $796m. Page 25

HAYS, UK business services group, heralded imminent stock market flotation by unveiling a 30 per cent rise in profits. Page 25

BOND Corporation Holdings, Australian group owned by businessman Alan Bond, faces suspension of its shares from trading on the Australian Stock Exchange in October because it cannot produce its accounts on time. Page 26

TOKIO Fire & Marine, Japan's largest casualty insurer, announced plans to buy a 10 per cent stake in Delaware Management, US investment advisory company. Page 31

BRITAIN agreed to renew a three-year-old agreement with the World Bank to raise aid support for World Bank projects in developing countries. Page 10

JAPAN's Economic Planning Agency issued strong condemnation of high prices in Japanese shops. Page 4

TEXAS Instruments, US electronics manufacturer, has joined forces with International Business Machines to boost sales of automated manufacturing systems. Page 28

MONSANTO, US chemical company and Ciba-Geigy, Swiss competitor, held informal discussions on building waste treatment incinerator in Britain. Page 14

LOMAS Financial, Dallas-based real estate and financial services business, has filed for Chapter 11 bankruptcy protection after the failure of a three-month effort to renegotiate debt burden. Page 26

ELECTRICITE de France (EdF), French power supplier, is awaiting final European Commission judgment on attempts to sell surplus of nuclear-powered electricity at cheap rates. Page 3

EDWARD Erdman, London chartered surveyor, is to merge with Auguste-Thouard, French property advisers. Page 14

AUSTRALIA's domestic airlines and pilots, locked in a six-week pay battle, were last night reviewing their positions after a move by Industrial Relations Commission to arbitrate the dispute. Page 6

FIVE foreign consortia are expected to submit proposals to supply Indonesia with a digital switching system, worth up to $1bn. Page 10

ROCKWELL, California defence contractor, is pulling out of contract to run Rocky Flats nuclear weapons plant for the US Government, alarmed by threat of criminal prosecution over its handling of perilous waste. Page 28

ADOLPH Coors Company of Colorado is to buy most of the brewing assets of Stroh Brewery, US rival, to secure national position as a national force in beer market Page 28

BANCO do Brasil, Brazilian bank, has awarded staff 152 per cent pay increase, raising fears of an upsurge in similar pay demands. Page 6 **CITY** of London police said more than half the City institutions questioned in a crime survey had been the victims of fraud. Page 12

MARKETS

STERLING
New York
$1.617 (1.572)
London:
$1.6085 (1.5755)
DM3.065 (3.0725)
FFr10.3775 (10.385)
SFr2.665 (2.66)
Y229.5 (same)
£ Index 91.9 (91.6)

GOLD
New York: Comex Dec
$374.6 (370.7)
London:
$367 (365.25)

N SEA OIL (Argus)
Brent 15-day Oct
$17.475 (17.52)

Chief price changes yesterday: Page 25

DOLLAR
New York
DM1.89925 (1.9515)
FFr6.4375 (6.595)
SFr1.6476 (1.6915)
Y142.15 (145.95)
London:
DM1.9055 (1.9495)
FFr6.4525 (6.5925)
SFr1.6565 (1.689)
Y142.65 (145.6)
$ Index 70.4 (71.6)
Tokyo close: Y142.95

US CLOSING RATES
Fed Funds $9\frac{1}{2}$% ($8\frac{5}{16}$)
3-mo Treasury Bills:
yield: 8.06% (8.013)
Long Bond:
$98\frac{5}{32}$ ($99\frac{7}{32}$)
yield: 8.29% (8.189)

STOCK INDICES
FT-SE 100:
2,359.6 (−10.6)
FT Ordinary:
1,937.3 (−12.2)
FT-A All Share:
1,197.67 (−0.4%)
FT-A long gilt yield index high coupon:
9.55 (9.58)
FT-A World Index:
152.21 (+1.0%)
New York
DJ Ind. Av.
2,659.19 (−22.42)
Tokyo: Nikkei
34,960.71 (+188.92)

LONDON MONEY
3-mo interbank close:
$13\frac{11}{32}-\frac{12}{32}$ ($13\frac{13}{32}$)

Concerted sales by G7 central banks push dollar lower

By Simon Holberton and Patrick Harverson in London and Anatole Kaletsky in New York

CENTRAL BANKS of the Group of Seven leading industrialised nations mounted a concerted intervention to sell the US dollar in Far East and European markets yesterday, leaving it well down on the levels of last week.

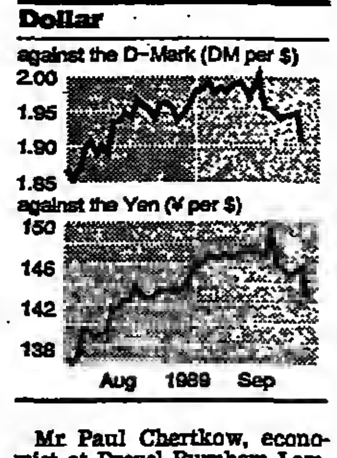
The intervention, which in London left the dollar 4.5 pfennigs and Y3 lower at DM1.9055 and Y142.65, was designed to back up with actions the sentiments of the G7 communiqué on the dollar, issued at the weekend in Washington.

The dollar fell most steeply in Tokyo, where the Bank of Japan and the US Federal Reserve had sold the US currency heavily. At the start of European trading, the central banks of nine European countries, including the West German Bundesbank and the Bank of England, again sold dollars.

In their communiqué, the G7 said it thought the dollar was overvalued in terms of underlying economic conditions. The G7 repeated its April pronouncement that a rise in the dollar would be unsettling for the world economic prospects as would an "excessive" decline.

Economists, however, disagreed. They noted that the US trade deficit was narrowing, tha Fed has made good progress In lowering US inflation, and that the US economy was now growing at a more sustainable rate.

Dollar



Mr Paul Chertkow, economist at Drexel Burnham Lambert in London said: "The dollar is trading in the lower third of its trading range for the 1980s. Who's kidding whom here?"

As one senior currency dealer explained: "In the short term these interventions can be effective in holding back the dollar, but in the long term interest rate differentials need to be narrowed. This communiqué from G7 means nothing unless interest rates are changed."

In Washington, Mr Karl Otto Pöhl, president of the Bundesbank, hinted that the central bank's interest policy was under review in light of the strength of the West German economy. Analysts believe the Bundeshank will increase its main interest rates, probably next month.

The dollar stabilised at its new lower level in active New York trading, as foreign exchange traders reported that underlying support for the dollar remained intact.

Some currency analysts noted that, while the G7 was clearly trying to inflict losses on over-enthusiastic currency speculators, the communiqué also offered comfort to long-term dollar holders by saying that any "excessive" declina of the US currency would be resisted. The size of the Federal Reserve's intervention in the US market was also judged unimpressive.

Dealers saw yesterday's intervention as part of a continuing game played out between the central banks, who wish to manipulate the markets to keep currency movements within pre-determined ranges, and the commercial banks, who speculate on currency movements for short term gains. The central banks sell dollars into the market, and tha commercial banks, holding speculative trading positions, obligingly get out of dollars.

Continued on Page 24
Lex, Page 24, Currencies, Page 44, World Stock Markets, Page 48

Brady blocks accord to raise IMF resources

By Peter Norman, Economics Correspondant, in Washington

MEMBER countries of the International Monetary Fund yesterday failed to agree on plans to increase the resources of the IMF, but they said it was a matter of the "highest priority" that work continue on the problem, with a decision expected before the end of this year.

After a meeting of the fund's policy-making Interim Committee, both Mr Michel Camdessus, IMF managing director, and Mr Onno Ruding, the Netherlands Finance Minister and Interim Committee chairman, said progress had been made towards increasing resources through an increase in quotas or IMF subscriptions.

A communiqué issued after yesterday's meeting of the 22-nation committee said there was "widespread support ... on the need for a substantial increase in quotas." However, the statement also noted that a few members believe the fund has adequate resources at present to fulfil its responsibilities.

The US blocked consensus on whether to raise quotas from their current level of 90bn Special Drawing Rights ($111.6bn). Mr Nicholas Brady, US Treasury Secretary, told members late on Sunday that a "fully persuasive case has not been made that there is a pressing need for resources at this time."

He said the committee must pay heed to resistance among US taxpayers to a quota increase. They would have to be convinced that there is a pressing need for additional funds and that the money would be used efficiently and effectively. However, he said the US would give its "full and thorough" attention to the quota issue and make a decision by the end of the year.

It is generally believed that a US decision on quotas will have to wait until after the mid-October deadline for deciding on cutting US Government programmes under the *Gramm-Rudman-Hollings* budget deficit reduction law.

Mr Ruding said he believed the eventual quota increase would probably be around 67 per cent. Britain, however, surprised other committee members by calling for only a 20 per cent rise.

Continned on Page 24

ACTION ON ARREARS

THE IMF is to taka tough action against mambars which dalibarately run up arrears in payments to it, Mr Michel Camdessus, tha managing director, said yesterday. Saparately, Venezuala agreed with banks on a $600m loan which will enable it to erase interest arrears to banks. Poland was offered an economic programme by the International Finance Corporation as Mr Nigel Lawson, UK Chancellor of the Exchequer, likaned Poland's task to the rebuilding of the German economy aftar tha Second World War Page 6

Sightseeing amid the dust and ruins of Beirut

By Lara Marlowe in West Bairut

AS Lebanon's latest peace took hold yesterday, the residents of Beirut revelled in a unique form of local tourism: they came to see the ruins.

Hooting cars clogged the newly-reopened Avenue de Paris, the seafront boulevard that curves around the tip of the Ras-Beirut peninsula. Before them – on a corniche whose Mediterranean beauty once vied with that of Cannes or Nice – was a scene of devastation that amazed even hardened civilian veterans of Lebanon's 14-year civil war.

The pink stucco riviera hotel, with its balconies and sliding windows all glassless, stands like a sentry in front of the moonscape which formed the centre of six months of artillery battles between the forces of the Lebanese Christian leader, General Michel Aoun, and Syrian guns.

Old, mustachioed Lebanese men carrying brooms flick dust ineffectually from the lanes still closed by debris. The dun-grey powder raised by countless shells still coats a half-mile stretch of uprooted highway, decapitated palm trees and twisted carcasses of former coffee vans.

The glories of this part of town faded long ago. But during the summer, at the height of the artillery duels, it gained another reputation as the home of "Abu Abdo" – the nickname given by the Syrian soldiers to their 130mm field gun. Abu Abdo's propensity for opening fire on ships sailing into Christian harbours attracted nightly barrages of return shellfire from Gen Aoun. All but the most tenacious residents abandoned the area, now its ruin is complete.

Elsewhere in Beirut, despite an intense but relatively brief burst of shelling apparently aimed by Syrian guns at a village outside the capital yesterday morning, it is almost a case of business as usual. The money speculators are back in action on Hamra Street, West Beirut's main shopping district. Even on Sunday, with the shops shuttered as usual, dozens of money-changers walked the pavements, bidding the Lebanese pound, which had been rising all last week on predictions of peace, still higher against the dollar.

At 9:30 yesterday morning, word came from the central bank that the Sunday speculators had been right. The dollar

Continued on Page 24

Bush offers 80% cut in chemical weapons

By Peter Riddell, US Editor, in Washington

PRESIDENT GEORGE Bush yesterday challenged the Soviet Union to agree to large mutual reductions in chemical weapon stockpiles and proposed an 80 per cent cut in US stockpiles as part of a wide-ranging package of measures.

Mr Bush's initiative, announced during his address to the UN General Assembly in New York, is part of a new US drive to show the Administration's commitment to arms control talks.

It follows the progress made in discussions over the weekend on strategic arms and nuclear testing between Mr James Baker, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

The US has an estimated 27,000-28,000 matric tonnes of chemical blister and nerve agents at eight US sites and one in West Germany. The German stocks are due for withdrawal by 1992. An incinerator for destroying old stocks is in place at Tooele, Utah, and others are scheduled. US production restarted in 1987 on "binary" shells. A bomb project has been delayed and work has also been done on multiple-launch rockets.

The Soviet Union claims to have 50,000 tonnes but Western experts say 300,000. They also contest Soviat claims that they have stopped production and have no stocks abroad. Multiple sites include the Shikhany testing ground, 500 miles south-east of Moscow. Completion of a destruction facility at Chapayevsk was announced earlier this year.

The latest proposals come aftsr widespread criticism within the US that the Administration has been too slow and timid in its relations with the Soviet Union and needs to be more active. Mr Bush wants to be seen to be taking a lead. His speech had echoes of the address to the UN last December by Mr Mikhail Gorbachev, the Soviet leader, when he announced sizeable cuts in conventional forces In Europe.

Mr Bush highlighted "welcome" new attitudes prevailing between the US and the Soviet Union on a range of arms control issues.

He looked forward particularly to his summit meeting with Mr Gorbachev in the US next year.

Mr Shevardnadze welcomed Mr Bush's address as "constructive" and took a positive view of the proposals.

Mr Bush warned of the danger to peace from regional conflicts and, in particular, the possession of chemical weapons by 20 countries which, he said, posed a growing and unacceptable threat.

In an effort to inject fresh momentum into the 40-nation negotiations in Geneva, Mr Bush said the US was prepared to take steps to rid the world of such weapons before a treaty banning them is signed.

He said the US was "ready to begin now. We will eliminate more than 80 per cent of our stockpile even as we work to complete a treaty, if the Soviet Union joins us in cutting chemical weapons to an equal level, and we agree on the conditions, including inspections, under which stockpiles are destroyed."

Given the levels of the two countries' stocks, the Soviet Union would have to make much larger proportionate cuts to reach equal levels.

Mr Bush also proposed that

Continued on Page 24
Editorial Comment, Page 22

AT&T prepared for move into telecom services with Istel link

By Terry Dodsworth and Hugo Dixon in London

AMERICAN Telephone & Telegraph, the largest US telecommunications group, is set to move into the market for advanced telecoms services – such as electronic mail and trading – via a tie-up with Istel of the UK.

Istel, sold out to its employees by the Rover car group three years ago for £35m ($56m), is now worth about £170m. A deal with AT&T could turn several of its senior managers into multi-millionaires.

Details of the plans are expected to be announced in London later today.

Istel is one of Europe's largest providers of advanced telecoms services and is also an expert in factory automation.

Since being hived off from Rover, the company's turnover has grown at the rate of about 20 per cent a year, with sales increasing from £51m in 1986 to £85m last year.

Over the same period, pre-tax profits jumped from £2.1m to £8.3m, while its workforce has risen from 1,300 to 1,800.

Istel has benefited from the rapid expansion of the information services market. But it feels it is missing out on opportunities, particularly overseas, through lack of capital.

For the past 12 months, the company has been discussing various alternatives for expansion, including a flotation on the London Stock Exchange or link-ups with larger groups willing to back it with their cash.

Istel has been anxious to make acquisitions in the belief that it needs to develop its market position rapidly before other competitors become established.

A tie-up with Istel would enable AT&T to establish itself in a market from which it was excluded until earlier this year by US anti-trust regulations. AT&T is the biggest operator of long-distance and international telephone lines in the US and the world's largest maker of telecoms equipment.

Since the company was broken up in 1984, it has been searching for opportunities for expanding overseas. Although its initial efforts had little success, it reached agreement earlier this year to take a minority stake in Italtel, Italy's largest telecoms manufacturer.

Istel would be a platform from which AT&T could launch an assault on the European advanced services market, which is due to be liberalised under European Commission plans.

At present, there is considerable latent demand for cross-border advanced services, but the market has failed to take off because of red tape at a national level.

The only significant international players in this market are General Electric Information Services and International Business Machines of the US. British Telecom made a push into the market in July via the acquisition of Tymnet, a leading US provider of advanced services, for $355m.

CONTENTS

Pol Pot's shadow looms as the Vietnamese leave Cambodia

The Vietnamese-backed government of Hun Sen (left) faces guarilla resistance as tha Vietnamese occupation of Cambodia ends. The civil war looks set to continua with evan more loss of life.
Page 4

Gaza Strip: Caught batween Israeli jobs and intifada ban 5

Soviet markets: Appetite for joint ventures .16

Editorial comment: Naw start in arms control; Banking, Italian style 22

Aid for Poland: How to help tha Solidarity Government 23

Foreign Affairs: Time to bring Japan into the fold 23

Lex: Hays; MAI; RJR Nabisco 24

Survey: World Economy .... Section III

Europe	2-3	Agriculture	36	Financial Futures	44	Raw Materials	36
Companies	25,28	Arts-Reviews	21	Gold	36	Stock Markets	45
America	6	World Guide	21	International bonds	30-31	-Wall Street	48
Companies	25-26	Commodities	36	Intl. Capital Markets	30-31	-London	37
Overseas	4-5	Crossword	44	Letters	23	Technology	18
Companies	29	Currencies	44	Lex	24	Unit Trusts	38-41
World Trade	10	Editorial Comment	22	Management	15	Weather	24
Britain	12	Euro-options	44	Money Markets	44	World Index	48
Companies	32-35			Observer	22		

EUROPEAN NEWS

Court orders strikers to stop occupying concrete linings plant

Channel tunnel work set to restart

By William Dawkins in Paris and Andrew Taylor in London

WORK ON the Frencb end of the Channel tunnel was expected to resume yesterday evening after a local tribnnal ordered striking workers to stop occupying a plant producing concrete tunnel linings at Sangatte, near the tunnel works.

Work on two of the three tunnels was slowed seriously at the weekend by a strike over wages and conditions until Transmanche Link, the consortium building the link, obtained an injunction against the blockade of the plant.

The trouble began last week when abont 270 of the 450 employees at the tunnel lining plant stopped work. The strike initially had no effect, because Transmanche Link simply drew roofing supports from its own stocks, amounting to two months' wortb or 4km-5km of tunnel. It became more serious when 21 workers occupied the plant and refused to allow the roofing supports to be moved to the nearby tunnel entrance.

Transmanche Link applied for an injnnction from the nearby Boulogne-sur-Mer Tribunal, which yesterday ruled that the men must stop obstructing the work or pay fines of FFr200 (£20) per hour. The hold-up provided a warning of the precariousness of labour relations on a large construction project like this.

The share price of Eurotunnel, which will own and operate the tunnel, has fallen by well over a third since July when the group announced it would need to go back to its bankers for up to £1bn because of escalating costs of construction delays. Eurotunnel is under pressure from bankers and its contractors to raise at least part of this money from existing shareholders. Yesterday the share price slipped a further 10p to 668p following news of the strike.

The cost of the tunnel has soared since Eurotunnel forecast in November 1987 that it would cost £4.87bn. Almost a year later it raised this estimate to £5.22bn, partly because of tunnelling delays.

Since then Eurotunnel has agreed to pay extra bonuses to contractors if new construction deadlines are met, while the cost of building shuttle trains will be at least £300m higher than expected.

Suspected arson at BNL

By John Wyles in Rome

ITALIAN POLICE were investigating yesterday a suspected arson attack on a Rome branch of the Banca Nazionale del Lavoro, Italy's largest publicly-owned bank, which is at the centre of an international scandal over $3bn worth of improper export loan commitments to Iraq.

A BNL spokesman denied that the branch contained any bank archives. The fire, discovered early yesterday, had destroyed thousands of blank forms nsed in normal operations with the public.

The blaze appears to have been started by someone breaking a window of special protective glass and tossing inflammatory material into the bank. Police were studying a claim hy a group calling itself the "Huey P Newton – A Lnbowsky Cell" to have started the fire in protest against Italian economic links with South Africa.

Editorial comment, Page 26

Genscher favours confederation of two German states

By David Marsh in Bonn

THE West German Foreign Minister, Mr Hans-Dietrich Genscher, has lifted a corner of the veil over his vision for the long-term future of Europe by coming out in favour of some form of confederation between the two German states.

In an interview published yesterday, he said the Bonn Government needed to "hold on to [its] course" in its policies towards East Germany, and warned against any attempt to "destabilise" the Communist state.

Rejecting demands for more active steps to promote German unity made by soma members of the centre-right coalition, Mr Genscher defended the policies of the Social Democratic Party, which, when in government during the 1970s, started the slow process of building bridges with Eastern Europe.

Mr Genscher repeated his often stated view that the forging of political links between East and West Germany should take place as part of an overall breaking down of barriers between communist and capitalist Europe.

Pressed in the interview with Der Spiegel magazine to be more specific than usual about the possihle course of the two German states, he said: "We should bring together the approaching European federalism with our German federalism. A European federalism and a German federalism, if they could cover the same ground, [would] open new forms of co-existence."

Mr Genscher did not rule out, for instance, that the two states could jointly take over administrative tasks in areas snch as the environment, transport and post services.

He denied that there were two German nations – ona socialist and one capitalist – but he took issue with the word "reunification".

This, he said, assumed that the future Europe would be composed of national states. In fact, the European Community was developing in a direction where member states were increasingly renouncing sovereignty.

He claimed, in a passage which would certainly not win favour everywhere in the Community, that "no-one" wanted to return to the centrally-managed form of statehood.

Renter adds: East Germany's leader, Mr Erich Honecker, returned to work yesterday after six weeks' absence through illness. Television news showed him receiving two new amhassadors. He looked thinner and walked stiffly, hut smiled and appeared attentive as he spoke to the envoys.

The country's hardline leadership, meanwhile, angered at the growing popularity of the new political reform group New Forum, ordered it to stop its activities immediately.

Relief at hand for Eurocourt

By David Buchan in Brussels

THE European Community yesterday gained a new institution when the 12 members of the Court of First Instance were sworn in to their task of relieving the European Court of Justice of its growing caseload of competition suits and relatively petty EC personnel disputes.

But, at the insistence of the Commission and of ona member state, France, the new first-tier court will not deal with dumping suits for at least the first two years of its life. The Commission argued that those of its officials dealing with anti-dumping actions were overstretched enongh without having to appear before two courts – first in the lower-tier court, and then probably in the European Court – to defend their imposition of dumping fines. Jndgment by the Court of First Instance can be appealed against, but only on points of law.

But even though it will not deal with time-consuming dumping cases, it is expected to lighten the Enropean Court's increasingly heavy caseload. It now takes two years to deal with a case, compared to only nine months a decade ago.

Many of these cases simply concern staff disputes among Eurocrats, who have no other court to settle them in, hut whose personnel altercations hardly require the attention of what is the Community's "supreme court".

Barschel took own life, Swiss inquest finds

By David Marsh

MR UWE BARSCHEL, the former Schleswig-Holstein Premier found dead in Geneva two years ago, killed himself with an overdose of barbiturates, according to the inquest report released in Switzerland yesterday.

The findings look likely to put an end to speculation, furthered by Mr Barschel's family, that he was murdered.

The discovery of Mr Barschel's body in a Geneva hotel represented the gruesome high-point of a political "dirty tricks" scandal centring on the dead politician's efforts to blacken the name of Mr Björn Engholm, his rival in a local election.

Soviet radicals put multi-party system on parliamentary agenda

By a Correspondent in Moscow

RADICAL DEPUTIES to the Supreme Soviet, the USSR's revamped Parliament, are to introduce a bill to legalise a multi-party system. Snch a move has been condemned in the past as "nonsense" by President Mikhail Gorbachev, and conservatives in the leadership see it as destabilising.

The bill will subject to public debate a topic which has so far remained out of court, except in a few daring articles. Its author, Mr Sergei Stankeyevich, said be hoped to present a draft in November.

The proposal is part of a law to regulate public associations which is being prepared by a special committee of the Supreme Soviet, of which Mr Stankeyevich is a member. The law would allow groups, including the informal popular fronts of the Baltic and Transcaucasian states, to apply for political status. It does not, however, tackle the question of free elections.

On Sunday, the main points of the proposal were adopted hy the so-called Inter-Regional Group, an organisation of radical depnties wbose leaders include Mr Boris Yeltsin, the former Moscow party chief.

Mr Stankeyevich said it would not be necessary to abolish Article 6 of the constitution guaranteeing the Communist Party a "leading role" in society. In effect, however, the proposal would amount to the same thing. Last week, the Lithuanian Communist Party published a programma implicitly accepting the possibility of multi-party elections, by renouncing its leading role and gaining independence from the Soviet party.

The latest proposal shows that the split between radicals and conservatives over the role of the Supreme Soviet is as wide as ever. On the opening day of the new session yesterday, Mr Gorbachev criticised the behaviour of some radical deputies and tried to focus attention on day-to-day business, particularly the economy.

Poles tread carefully

POLAND acknowledged in the United Nations yesterday that relations with Moscow were the key issue of its current political strategy and said existing treaties would be respected, writes Michael Littlejohns. But its new, non-Communist Foreign Minister said such respect "does not impose any limitations regarding the choice and change of the system of government."

Economic forecasts cast shadow over negotiations on Dutch coalition

By Laura Raun in Amsterdam

AS Mr Ruud Lubbers, the caretaker Dutch Prime Minister, struggles to form a new government the bargaining partners may find themselves boxed in by the latest macroeconomic forecast for tha Netherlands.

Mr Lubbers' Christian Democrats began haggling with the Socialists in earnest yesterday in an effort to form a new centre-left coalition. The horse trading is expected to become more difficult this week as cabinet posts are distributed and fiscal policy is sketched out.

Both the Christian Democrats and the Socialists have promised to spend more on cleaning np the environment and padding ont the welfare system while still cutting the huge budget deficit. But slower economic growtb may force them to make painful choices.

Cleaning np pollution has taken on a messianic urgency and cost estimates are rising daily. An equally high priority is placed on fattening up the welfare system after seven lean years under a centre-right Government.

Mr Lnbbers, whose austerity policies in his first two terms were made more palatable by robust economic recovery, insists tbat budgetary discipline be maintained. But restraint will be more difficult if, as expected, the rate of growth slows.

Gross national product is expected to expand hy a 4.5 per cent this year, the fastest since 1976, thanks to healthy world trade, according to the semi-official Central Plan Bureau.

In its latest macroeconomic forecast the burean predicts that visible exports will remain a motor of growth, rising 6.5 per cent this year, and business investment will climb 10 per cent, adding fuel to the fire. Consumer spending is forecast to swell 3.5 per cent in 1989, the most in a decade.

But GNP growth is forecast to drop to 3 per cent in 1990 and to an average of 2.5 per cent annually through 1994.

Exports, consumer spending and business investment are all forecast to fall considerably in the early part of the next decade in spite of huge income tax planned for next year.

Inflation is seen rising as workers feel more secure in their jobs.

Much uncertainty surrounds tha National Environment Plan, an ambitious programme to slash all pollution by at least 70 per cent by 2010 which is due to be adopted next year.

Total spending by the Government, industry and consumers to clean up pollution was originally expected to double to Fl 16bn (£4.6bn) a year by 1994 from Fl 8bn in 1988 but that price tag is now expected to be much higher.

Under "the pollnter pays" principle industry and consumers were snpposed to cover about 80 per cent of the costs, but official estimates already suggest that the Hague's share of the burden will rise. Environmental spending by all levels of government in 1994 will probably top Fl 10bn, double current levels.

Meanwhile, the Socialists want to scrap the planned tax cuts to pay for a Fl 20bn package of social spending on welfare benefits, unemployment, edncation and health care.

Mr Onno Ruding, caretaker Finance Minister and architect of the earlier austerity policies, argues that the gaping budget deficit must be slashed because state debt will soar to 90 per cent of GNP in 1990, rising more rapidly than in any industrialised country in recent years.

Mr Ruding insists that more Dutchmen must work because every employed person has to support one idle one – the lowest worker participation rate in the EC except Ireland.

FINANCIAL TIMES

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EUROPEAN NEWS

Authoritative grounds for unity in Europe's skies

Paul Betts on calls for an end to air traffic chaos

THE OLD airline joke "breakfast in London, lunch in New York, baggage in Rome" has been replaced by the wisecrack "Breakfast in London, lunch at Heathrow."

For airlines, however, there is little to laugh about in the belated realisation on the part of European governments and civil aviation authorities of the need to rationalise Europe's creaking air traffic control system and in the problems of airport congestion.

Two comprehensive studies published recently illustrated the problem. A report by the German Airspace Users Association estimates the total cost to Europe of air traffic control delays and disruptions at $5bn a year. The Association of European Airlines (AEA) says it is $4.2bn.

The International Air Transport Association (Iata) is now completing a review and intends to use its findings as a further lever on governments to take action before the situation gets worse still.

"The biggest problems we are finding are on the ground with rising airport congestion," explains an Iata official.

"Airport capacity in the longer term is the real bottleneck of the aviation industry," adds Mr Karl-Heinz Neumeister, the AEA secretary general.

While the Iata study is expected to stress that the crucial issue in the future for the European airline industry is inadequate ground infrastructure (already 12 of the principal European airports are classed as seriously congested), the immediate trouble is in the air.

The problems of European air traffic control are not new. Nearly 30 years ago, Eurocontrol was set up with the aim of assuming responsibility for control of cross border flights in European upper airspace and to serve as a vehicle for co-operation and harmonisation of the system. But several European countries refused to grant the Brussels-based agency authority over their airspace.

As a result, air traffic control in Europe is still a patchwork of 22 systems operated out of 44 centres. By contrast, the US, which controls nearly twice the airspace, operates a single system through 20 centres.

The problems in Europe are made worse by the different standards and quality of technical equipment and radars operated by the different air traffic control centres. Good radar coverage enables aircraft to fly closer. This is the case in northern European airspace where aircraft can fly within 5-10 nautical miles of each other. But in other parts, such as Greece or the southern Mediterranean, aircraft must fly 60 nautical miles apart because of poor radar coverage.

At the same time, investment in air traffic control systems in Europe has lagged way behind spending in this field in the US. Although some countries have launched big individual air traffic control investment schemes, such as Britain's £600m programme, other countries are still reluctant to inject large amounts of public funds into improving their systems. Total new air traffic control investment is Europe is estimated at $2.8bn. By comparison, the US is projecting additional investments of $16bn.

Apart from the problems of industrial action by air traffic controllers or maintenance staff in one country feeding through the whole system and causing extensive disruptions, the large amount of airspace reserved for the exclusive use of military aircraft is another handicap in Europe. Commercial aircraft must fly around these military zones whether or not they are in active military use.

The result is that the number of delays has continued to rise in Europe. The AEA reported last week that 6 per cent more flights were delayed in the first seven months of this year compared with the same period last year and that flight delays in Europe had reached a record, with one in four flights held np by more than 15 minutes.

The costs to airlines have also been growing. British Airways says air traffic control inefficiencies cost the airline around £20m a year. Lufthansa says they cost the West German carrier DM90m (£30m) last year.

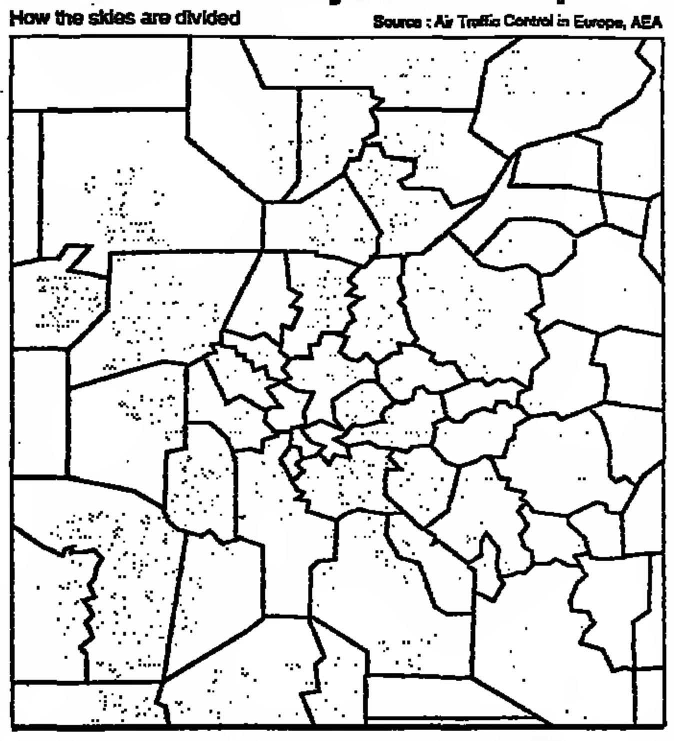
But it is not just the cost which is alarming airlines. They argue the delays are undermining their individual image and are reinforcing the growing public view that the age of comfortable, reliable air travel is over.

In response to growing consumer irritation, Lufthansa has been issuing a small leaflet to its passengers when they are stranded at an airport because of air traffic delays. "Dear Passenger," it laconically says, "We sincerely regret that in these weeks and months we shall not always be able to get you to your destination on time. All major airlines are affected hy the present capacity bottlenecks in the air and on the ground ...." Many airlines have also extended by five minntes or more the scheduled flight time of some destinetions on their timetables to make eventual delays seem shorter.

European airlines have now lost patience and have decided to mount a lobbying exercise to persuade European governments to take radical steps to improve the situation.

"Sovereignty is now threatening to kill the airline industry in Europe," says Mr Neumeister of the AEA, whose recent report recommends setting up a single integrated European air traffic control system jointly owned by governments and airlines and operated with a modern business-like approach.

Air traffic control system in Europe
How the skies are divided — Source : Air Traffic Control in Europe, AEA



The AEA hopes its report will stimulate a common political will in Europe to establish a more rational air traffic control system. Governments have started to address the issue by agreeing this summer to set up a £40m air traffic flow control system in Brussels to improve advance route planning across Europe and regulate the flow of air traffic hy using a sophisticated new computer.

But the airlines regard this as only a first hesistant step to improving the overall system since in-flight control of aircraft remains in the hands of individual national air traffic euthorities.

"Flow management is a bit like food rationing in the war," says Mr Neumeister. "It does not resolve the fundamental issue and need for a unified air traffic control system."

France awaits EC ruling on cheap N-power sales

By William Dawkins in Paris

THE FIRST step in an attempt by France to sell its surplus of nuclear-powered electricity to industry at cheap rates is expected to receive a final judgment from the European Commission shortly.

Talks between French energy officials and a divided Brussels executive have been re-opened in an attempt to solve a dispute over the legality of a profit-sharing and price accord between Pechiney, the state owned aluminium producer, and Electricité de France (EDF).

The French authorities are understood to have offered to meke minor changes to the deal and to make its terms clearer to Pechiney's suspicious competitors. This has been welcomed in Brussels as a possible step towards egreement. The Commission has the power to block or change the deal.

The central issue is tbe favourable terms under which EDF agreed last November to back the construction of what will he Pechiney's largest smelter, a 200,000 tonne plant near Dunkerque in northern France. The outcome will set the terms under which EDF offers similar attractions to other big industrial companies, of which several are under consideration, according to an EDF spokesman.

In return for guaranteeing to purchase all its power from a nearby EDF nuclear generator, Pechiney is being offered electricity at a price suspected to be well below that offered to normal customers. EDF has taken a 49 per cent stake in the FFr4.5hn (£434m) project, which is due to open in 1991, and is offering power at a floor price linked to that charged by low-cost hydroelectric plants in Norway and Canada. Under the agreement, the price would also move upwards in line with the Dunkerque plant's profits, said an EDF official.

The scheme drew complaints, soon after it was announced in November, from British Steel and a West German tin-makers' association, alleging that it contravened EC rules against anti-competitive agreements. Both fear it could give the French company an unfair advantage, at a time when aluminium is increasingly taking market share from tin as a packaging material.

The Dunkerque mill will not add mnch to Pechiney's 360,000 tonne total capacity because it is planning to phase out more than 80,000 tonnes of output in southern France at the same time.

Sir Leon Brittan, the EC Competition Commissioner, recommended taking legal action, but colleagues persuaded him to open one last round of talks. The outcome will be of tbe highest importance to EDF's attempts to tackle its 5-8 per cent surplus of nuclear electricity capacity, the legacy of an over-ambitious power station building programme. If EDF cannot tempt more big industrial users to buy its power, the surplus will last for seven to eight years, officials estimate.

The EDF deal, helped hy a FFr1hn state capital endowment for Pechiney, which is not being questioned, is the electricity authority's first ettempt to set up e joint venture of this kind. It already sells 11 per cent of output ahroad, mostly to Britain (EDF's hìggest single customer), Switzerland and Italy.

However, it finds the potentially lucrative West German market almost blocked, thanks to the influence of the local coal industry and the environmental movement's distaste for nuclear power.

Pechiney already takes 10 per cent of all electricity produced in France, making it EDF's second hìggest user after Britain.

Hungary thrashes out law for free elections

By Judy Dempsey in Budapest

DETAILS OF Hungary's forthcoming transition to a multi-party system, and of the electoral law that will govern the first contested voting since 1946, are expected to be thrashed out at a session of Parliament beginning today.

Under broad agreements reached last week between the Opposition Round Table (ORT) and the Hungarian Socialist Workers' (Communist) Party, the law will provide for a single chamber of 374 deputies, and no seats will be reserved for the Communists.

The legislators are expected to be chosen through a mixture of three systems:

- Some 152 will be elected in as many *constituencies*. Although they may subscribe to a party ticket, they will be elected as individuals. Candidates must secure 750 signatures in order to stand.

The election will be valid only if half the registered voters vote and if a candidate gains 51 per cent of the vote. Otherwise, a second round will be held within a fortnight in which the turnout must be at least 25 per cent. Those candidates who receive 15 per cent in the first round will be eligible to stand again. A relative majority will secure a seat.

- Another 152 seats will be distribnted among 19 "*counties*" plus Budapest – but the electorate will be voting for parties. Seats will be allocated in proportion to the number of votes cast for each party.

Again, for voting to be valid, some 51 per cent of the registered electors have to go the polls or, failing that, 25 per cent in a second round.

- The remaining 70 deputies will comprise a *National List*, whose distribution will take into account the "wasted" votes of candidates who lost in the constituencies and of parties which received less than 4 per cent on the county level.

The electoral law is regarded by Communists as an exercise in damage limitation. Party officials yesterday indicated they would be pleased if they won 15 per cent of the vote.

Parliament will also discuss the date of the next presidential election, which could take place as early as November 25.

The most contentious issue of all could arise from calls by deputies for the transfer to the state of the Communist party's vast property holdings.

Pol Pot's shadow looms as the Vietnamese leave Cambodia

How can the West exclude the brutal Khmer Rouge from power once Hanoi has pulled out? **Robin Pauley** reports

THE Vietnamese occupation of Cambodia ends today with the exit of the last of the 140,000 Vietnamese troops. That leaves the Vietnamese-backed government of Hun Sen with about 65,000 troops to fight it out against not more than about 60,000 guerrillas and probably a lot fewer.

As the war will be fought in the western and northern countryside and jungle many of the country's 7m people should not be too troubled by it and may not even be aware of it.

That is the *theory*, at least. Nothing could be less likely. Cambodia has had no luck in its 36-year history since independence and there is none around now. A civil war is already under way and seems likely to continue the country's ruination with more substantial loss of life.

The bloodshed will not be on the scale of the extermination carried out under the "killing fields" policies of the Khmer Rouge from 1975-78 but there will nevertheless be plenty more killing in Cambodia's fields in the coming months.

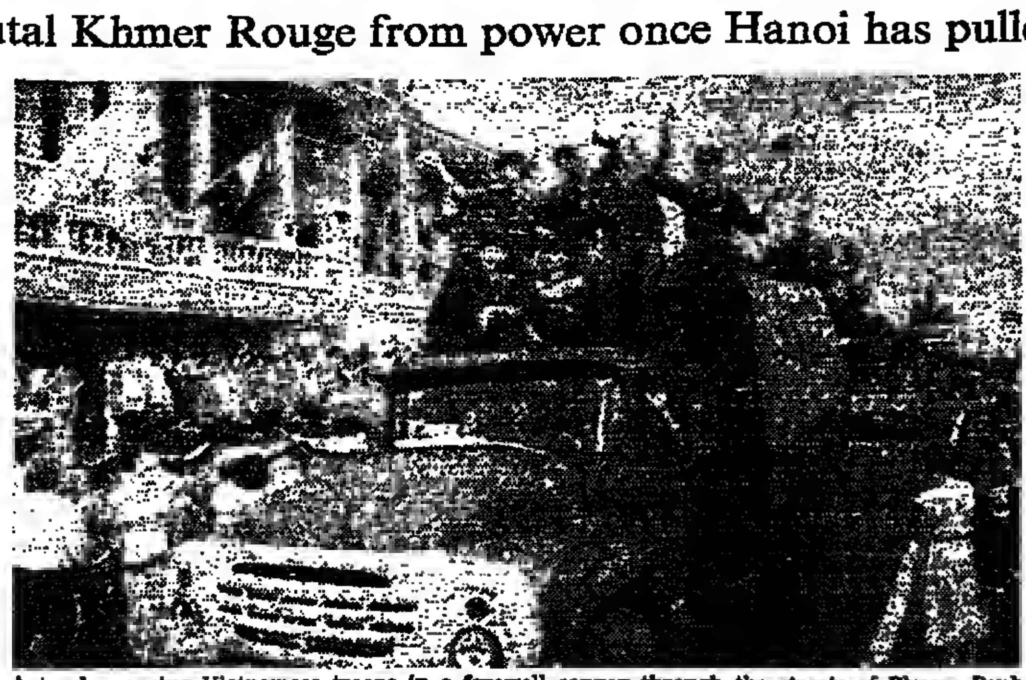
Hun Sen's government in Phnom Penh has around 100,000 militamen, some of them volunteers but many the result of conscription of adults and children alike. Hun Sen looks increasingly confident and articulate, has impressed western leaders and is showing flexibility, most notably by reinstating Buddhism as the country's official religion. But his rag-bag forces will be no more able to eliminate the guerrillas force in the jungle and mountains than the 11-year Soviet-backed occupation by the renowned Vietnamese Army was able to.

It is equally unlikely that the guerrillas will be able to capture the urban areas. The Khmer Rouge have never managed to capture a single town, large or small, since they were toppled from power by the Vietnamese in 1978.

Their forte is villages and hamlets where most of the population live and which are the backbone of the largely agricultural economy.

So the immediate outlook seems to be for more inconclusive fighting, particularly as the rainy season is currently in full downpour, making progress by either side even more difficult. Towards the end of the year the dry season will be a bigger test, particularly as both sides will have been "on their own" for some months.

The hope in the West is that this experience will concentrate the minds of both Hun Sen and of Prince Sihanouk, who, seeing the prospect of a long and violent stalemate, will agree to the resumption in the spring of the Paris peace conference which ended in failure in August.



A truck carrying Vietnamese troops in a farewell convoy through the streets of Phnom Penh yesterday following a formal ceremony to mark the end of 10 years' military presence in Cambodia

The problem is that each side is not really on its own. The guerrilla resistance, including the Khmer Rouge, receives substantial direct and indirect support from China, Thailand and the West, including the US. Hun Sen still has the backing of the Vietnamese and Soviet governments and while neither would now actively intervene, military and non-military aid continues.

This puts the West in the position of supporting, together with China, the brutal Khmer Rouge. This position has its roots in the defeat of the US in the Vietnam War, a humiliation which US administrations have had difficulty in accepting. When the Vietnamese invaded Cambodia the US supported the guerrilla resistance on the basis of resisting an occupation and, more important, resisting a Communist occupation and, most important, resisting a Vietnamese Communist occupation.

The problem of supporting the Khmer Rouge was masked by the fact that the aid was going to all three resistance groups. One of the other two is the pro-western Khmer People's National Liberation Front led by Mr Son Sann, a highly respected former prime minister. He is elderly and has only about 12,000 men; his worth on the battlefield is considerably less than his diplomatic weight abroad. The third group is Prince Sihanouk's own royalist group comprising about 18,000 men, with some battle honours to its name, but much less accomplished in guerrilla warfare than the Khmer Rouge.

The West's position is complicated by the fact that China is also continuing its arms supplies to the Khmer Rouge and if the West were to desist unilaterally it could leave the way open for exclusive Chinese influence over the outcome of the civil war.

Not surprisingly, this state of affairs is causing great alarm to Asean, the Association of South East Asian States, most particularly Thailand which has a long border with Cambodia.

The problem is that China's traditional hostility to Vietnam is not improving much in spite of better Sino-Soviet relations, and supporting the Khmer Rouge is an important counter to Vietnamese influence.

China remains the key. There were signs a year ago that China was becoming embarrassed at the international opprobrium resulting from its support of the Khmer Rouge and was distancing itself a little, concentrating more on Prince Sihanouk. But that seems to have changed; the Chinese appear increasingly impervious to influence from abroad. But they remain under a commitment given to the Soviets that they would participate in a multilateral cessation of arms supplies "in parallel with" the ending of the Vietnamese occupation.

Thailand's position, while less pivotal than China's, is also confused. Thailand wants peace and has been one of the most active match-makers during recent times. Yet it also finds itself *supporting* the Khmer Rouge; many Cambodian border camps sheltering more than 300,000 refugees in Thailand are controlled by Pol Pot's men and all the main arms and supplies conduits to the Khmer Rouge guerrillas are through Thailand. The pragmatic judgment in Bangkok is that trying to expel the Khmer Rouge would destabilise the border region.

Hopes of a long-term peaceful solution rest on nearly everybody changing their allegiances so as to exclude and defeat Pol Pot. The chances look remote for the near future. The alternative is a lot more bloodshed, which means that tomorrow without the Vietnamese will be much like today with them.

Ministry criticises high prices

By Stefan Wagstyl

A JAPANESE government ministry has issued the strongest ever official condemnation of the high prices in Japanese shops.

Prices in Japan are very much higher than in other industrialised countries and are preventing Japanese people from enjoying the high living standards they deserve, says the report published yesterday by the Economic Planning Agency.

While the findings are not new and bear out the results of many private surveys, it is unprecedented for a ministry to make such a forthright attack on price levels and single out for criticism various Japanese business practices. Only a few weeks ago, the Ministry for Trade and Industry published a report which purported to show that the prices of many goods were lower in Tokyo than abroad.

Moreover, the EPA's report echoes many of the criticisms of the Japanese distribution system made recently by foreign visitors – including US officials and Mrs Thatcher, the British Prime Minister. In particular, the survey highlights how Japanese consumers suffer at the expense of producers and retailers – a point made last week by Mrs Thatcher.

The EPA report concludes that prices in Tokyo are 39 per cent higher than in New York and 47 per cent higher than in Hamburg. House rents and the prices of foods subject to import restrictions are double those in New York and Hamburg, says the EPA. However, the prices of cars and leisure goods are about the same, while the prices of health care and education are lower in Tokyo than in New York but still higher than in Hamburg.

The report says the Japanese custom of packing goods in unnecessarily lavish wrapping adds to costs. So do so-called "free services" at petrol stations, where attendants wash car windows for no money. The costs are all incorporated in the prices, says the EPA.

The EPA also says legal restrictions on the opening of shops dampen competition among retailers and should be scrapped.

The report should not on its own be taken as evidence that Japan is about to embark on a radical overhaul of trading practices. The EPA has long been a stronger supporter of reform than Miti, the ministry primarily responsible for overseeing many of the practices criticised by the EPA.

Japan PM rebuilds support for party

By Stefan Wagstyl in Tokyo

MR Toshiki Kaifu, the Japanese Prime Minister, has succeeded in rebuilding a measure of public support for the crisis-torn ruling Liberal Democratic Party.

According to opinion polls, support for the LDP has recovered modestly since the party suffered a humiliating defeat in elections to the upper house of the Diet (parliament) in July. The recovery has come just in time for a parliamentary by-election on Sunday, which is widely seen as a crucial electoral test for both the LDP and the opposition Japan Socialist Party.

However, there are signs that the increase in the LDP's popularity is fragile. The opposition parties have been unable to attack the LDP directly over the summer because the Diet has been in recess. Mr Kaifu will face his first battles as party leader when it re-convenes on Thursday.

He could take comfort yesterday from a public opinion poll, published by Jiji Press, a news agency, which showed 33.1 per cent of people would vote LDP at the next general election – 12.5 points more than in the last poll in June.

An emotional rebound in popular opinion is widely seen as the main reason for the LDP's recovery. Many voters who voted against the LDP in the July elections did so to register a protest against the party's involvement in the Recruit financial scandal and against an unpopular consumption tax. Some of these people now believe the party is taking heed of their anger.

Mr Kaifu has also contributed to the recovery. He has exploited his youthful good looks by appearing frequently on television, often with his wife to emphasise that he is a solid family man – in contrast to his predecessor, Mr Sousuke Uno, who had to resign partly because of his involvement in a geisha girl scandal. The Japanese press judged that the prime minister conducted himself well on a visit to the US, even though little of substance was accomplished.

By contrast, the press, which earlier lauded the success of the Socialist Party in the July election, has recently focused on the JSP's continuing internal policy disputes. Previously, Miss Takako Doi, the party leader, was praised for taking a pragmatic approach to issues including defence and relations with the US and South Korea. Now her difficulties in dealing with party ideologues, including some who question the need for close relations with the US, have come to the fore.

"I think the Socialist Party is losing tens of thousands, maybe hundreds of thousands of votes every day," said one political commentator yesterday. However, Mr Takayoshi Miyagawa, another independent analyst, said: "This is just a natural recovery of support for a ruling party following a very bad period. Do not read too much into it."

The re-opening of the Diet will give the opposition a chance to attack the party in two main areas – the consumption tax, which the LDP has pledged to reform, but which the opposition wants to abolish; and political reform, where the LDP will face claims that it is not going far enough to eradicate corruption.

Political manouvrings in the Diet could throw a spotlight on Mr. Kaifu's greatest weakness – the widely-held belief that he is largely controlled by the LDP's scandal-tarnished power-brokers, chief among them Mr Noboru Takeshita, the former prime minister.

Mr Kaifu's personal prestige, and therefore his ability to withstand intra-party pressure, would be greatly enhanced by a resounding success in Sunday's by-election in Ibaraki prefecture, near Tokyo. In the July election, this former LDP stronghold was split in two, between the LDP and JSP. The constituency is so finely balanced that analysts decline to forecast the result.

Slower rate of inflation in Hong Kong

By Michael Murray in Hong Kong

HONG KONG'S inflation rate dipped slightly in August, with the official consumer price index "A", which measures expenditure by the territory's low-income households, registering an increase of 9.9 per cent over August 1988.

The figures came as a welcome change after two months of double-digit inflation, with prices in June and July rising by 11 per cent and 10.3 per cent respectively over the same months in 1988.

However, the private sector Hang Seng Bank's own consumer price index for August, also published yesterday, which measures expenditure for high-income households, showed prices were up by 10.7 per cent over August 1988.

Hong Kong's official inflation index for the 12 months ending August 1989 now stands 9.5 per cent higher than for the year ended August 1988, and given slower growth in the economy in the wake of the crisis in China the inflation rate for 1989 looks set to remain in single digits, though higher than the official 8.5 per cent forecast by the government in the March budget.

At that time the fight against inflation was given top billing, but the spotlight has since shifted to concern about economic growth. A revised government forecast now calls for 5 per cent growth in gross domestic product in 1989, against an estimate of 6 per cent made before June 4.

Arbitration call in Australian airline dispute

By Chris Sherwell in Sydney

AUSTRALIA'S domestic airlines and pilots, locked in a six-week pay battle, were last night reviewing their negotiating positions following a move by the Industrial Relations Commission to arbitrate their costly dispute.

The head of the Commission, the country's main arbitration and conciliation body, said yesterday it would convene to hear the matter on Thursday, following receipt of written submissions from each side today and responses tomorrow.

The Commission's intervention increases pressure on the airlines to recognise the Australian Federation of Airline Pilots – something they have refused since the 1,640 pilots grounded all flights by resigning en masse in support of their 29 per cent claim.

It also obliges the pilots to acknowledge a role for the Commission and, perhaps, for the national wage-fixing guidelines that the Commission enforces.

The biggest test may be for the Commission itself, which found itself sidelined early in the dispute after it penalised tha pilots by cancelling their industrial agreements.

Mediation attempts by the Commission and others have since failed as Prime Minister Bob Hawke'a Labor government, airline chiefs and leaders of the trade union movement have sought outright victory over the pilots.

Their apparent lack of success, along with attempts by the Transport Workers Union to claim union representation for them, now seem to have brought the Commission another opportunity – which, unasked, it has taken.

Yesterday Mr Justice Barry Maddern, the Commission president, ruled out an attempt at conciliation, saying the law required the Commission to deal with the dispute by arbitration.

At a brief hearing in Melbourne, he called for the two sides to prepare reports on whether new industrial agreements on pay and conditions should be made and, if so, which organisations should be parties to them.

He also called for snbmissions on the terms and conditions of such awards, and on the scope that exists for improved productivity and efficiency through restructuring of the industry. Pointedly, he suggested the two sides refrain from public comment.

Latterly the pilots have offered a full resumption of work for direct negotiation on pay, productivity, hours and conditions. But the airlines have continued trying to rehire former pilots and sign new ones on high-paying individual contracts in an attempt to rebuild services.

The dispute has been one of the most hard-fought and injurious industrial confrontations ever seen in Australia. The disruption, including a three-week grounding of domestic flights, has damaged the tourist industry, the economy'a largest foreign earner, upset business and undermined the country's industrial relations reputation.

Mixed effect of SA boycott

A NATIONWIDE consumer boycott of white-owned South African shops had a mixed response, with aome shops reporting a 90 per cent drop in sales while others say the effects are marginal, Reuter reports from Johannesburg.

The boycott was launched last Friday by the country's two main labour federations, the Congress of South African Trade Unions and the National Council of Trade Unions, as part of a two-month-old campaign against apartheid and white minority rule.

"We increased our sales a lot on Saturday. This suits us fine, as for too long we have been viewed by our people as being unable to compete with the major supermarket chains," a spokesman for a black-owned Soweto supermarket said.

Gaza caught between Israeli jobs and intifada ban

A dependent economy suffers from the Palestinian uprising's work boycott, writes Hugh Carnegy

HOSNI as Sahar, a 35-year old labourer from the Jabalya Palestinian refugee camp in the Gaza Strip, worked on a Tel Aviv building site. The 25 shekels (£8.50) a day he brought home more or less provided a living for his wife and eight young children.

A little more than a month ago things changed dramatically. Caught in the middle of a battle between the Israeli authorities and the leadership of the Palestinian uprising, or intifada, over who can work in Israel, he was suddenly without income. With no savings and only meagre handouts from aid organisations, Hosni shrugged forlornly when asked how be would provide for his family.

On August 18 Israel began refusing entry to any Gazan not in possession of a newly-issued magnetic identity card. In response, the underground leaders of the uprising called for a boycott of work in Israel. Activists confiscated thousands of cards to help enforce the work ban. As Hosni's case illustrates, it is a tussle which has stretched the already threadbare economic and social fabric of the Gaza Strip.

Since the boycott began, the flow of Palestinians ignoring it has steadily grown. Probably between a third and a half of the 50,000 or so Gazans who used to travel to work in Israel are doing so again, despite renewed calls in the latest leaflet from the intifada leadership for continued support for the campaign.

For a territory which relies for more than half its meagre economy on income earned in Israel, such a loss of means quickly makes itself felt on the local population. For this reason, previous attempts during the 22-month-old intifada to enforce work boycotts have been short-lived. The present one may also ultimately evaporate, hnt in the meantime it has highlighted the chronic weakness of Gaza's economy.

Gaza comprises just 360 sq km, wedged between Israel and the Mediterranean Sea. One third of its land has been taken over by Israel since it was occupied in 1967. Into the remaining space are crammed 650,000 Palestinians, about two thirds refugees originally from what is now Israel proper. Because of the job opportunities it opened up, the Israeli occupation actually spurred great growth, but the underlying economy remained feehle, dominated by agriculture – mainly citrus fruits. What industry there was consisted largely of small workshops serving the local market.

The advent of the intifada, with its riots, curfews, strikes and boycotts, threw even this small-scale activity into reverse. Figures are scarce, hut Israeli officials and foreign aid workers alike agree that numbers in work and per capita income slumped. Reliance on work in Israel became greater than ever.

Bearing much of the brunt was the United Nations Relief and Works Agency, which provides aid to the Palestinian refugees and is now, after the Israeli Civil Administration, Gaza's second-biggest employer with 4,200 people on its payroll.

UNRWA officials say the latest curbs on work in Israel have led to a huge increase in the number of people applying to it for work, cash and food relief. The agency's staff are concerned by the rising pressure from the intifada leadership for it to respond – manifested in a recent sit-in at its Gaza headquarters and, more seriously, an attack on one of its cars.

The agency stresses that no one in Gaza is starving. There are no serious cases of malnutrition. But it is now spending $2.3m on the first mass hand-out of flour since 1982, covering for the first time non-refugee Gazans, as an addition to its routine selective hardship and emergency programmes.

UNRWA is also looking at ways of promoting local enterprises through loans and advice. However, such schemes are not easy in the grim conditions of Gaza. A recent loan programme for prospective rabbit farmers collapsed when the rabbits all died from teargas drifting past from a nearby clash between Israeli troops and Palestinian rioters.

Local businessmen are rarely heard to complain about the intifada, preferring to proclaim their political support for its aims. But there is no disguising its effect on profits. Mr Ragheb Mourtaga, chairman of the Gaza Chamber of Commerce, says sales from his soft-drinks bottling plant are down 80 per cent. He manages the equivalent of a day's production a week. "All business gets worse and worse," he says wearily.

In the refugee camps, people make ends meet by tapping savings, turning to UNRWA and occasional discreet cash handouts for special hardship cases from the local "popular committees" which lead the intifada.

Hosni sold his car, which he had used to lift fellow workers to Israel. Some of his near neighbours grow vegetables in a dusty plot outside their ragged homes and rear chickens, pigeons and rabbits – if they are not done in hy teargas.

In the end, though, most observers believe the boycott of work in Israel will peter out. As one foreign aid official put it: "In the long run, the superior economic power will win. It's a question of how long."

S Korean MPs upset by probe

By Maggie Ford in Seoul

MEMBERS of Sonth Korea's National Assembly yesterday expressed outrage over an announcement by the Seoul Prosecutor's Office that it was investigating 21 of them for alleged wrongdoing.

The accused MPs include nine from the ruling Democratic Justice Party, nine from the main opposition Party for Peace and Democracy and three from the opposition Reunification Democratic Party.

Several other politicians, including opposition leader Mr Kim Dae Jung, have already been indicted for offences involving the draconian National Security law, which bans any links with communist North Korea.

The three opposition parties yesterday said the prosecutors' investigation, affecting almost 10 per cent of National Assembly members, was a return to the dictatorial approach of the former regime of Mr Chun Doo Hwan.

Party leaders said the prosecutors seemed to be trying to discredit the whole political system by alleging that politicians were either corrupt or pro-Communist. Two other members of parliament are shortly expected to be charged with offences such as embezzlement or influence-peddling.

A ruling party spokesman said that although tha prosecutors had formally accused the 21 MPs, they seemed to have ceased investigation. The list of names, so far unrevealed, seemed to contain all those who had been accused of irregularities by either the opposition or the ruling party, he noted.

● More than half the South Korean public has no confidence in politics, according to an opinion poll published hy a local television station. According to the poll, 88 per cent of respondents were unhappy with current politics.

Kim: already indicted

Indian rulers under fire at political rally

By David Housego in New Delhi

ALMOST all India'a opposition leaders took part in a big political rally in Delhi yesterday that seems bound to erode further the confidence of the ruling Congress Party that it will emerge victorious from the general election expected at the end of the year.

Addressing large crowds under a sweltering sun, Mr V P Singh, leader of the opposition, and other senior members of the coalition opposing Prime Minister Rajiv Gandhi, said they must not allow a split vote to rob them of victory.

But the centrist, left-wing and regional parties which form the opposition are coming to believe that if they can agree on putting up one candidate in each constituency against the Congress, they stand a good chance of winning.

The reason for the rally was to celebrate the 75th birthday of Mr Devi Lal, chief minister of Haryana and a leading figure among the farming community of the northern Hindi belt, but with the opposition using it as a chance to dispel its disunited image, it had the look of the launch of an election campaign.

A similar warning of the dangers of division was sounded in Bombay, where the militant Hindu party, the BJP, was holding its pre-election congress. Mr L K Advani, the party president, said the "unending acrimony" in the opposition had provided Mr Gandhi's government with "much-needed oxygen" over the last two years when "it had seemed to be virtually gasping for breath".

The two gatherings come at a time when the government has been pnt on the defensive by a aurge in prices of some basic commodities and by renewed, embarrassing disclosures over the Bofors scandal. Retail price of sugar has jumped from Rs6.50 (25p) a kilo six months ago to Rs11-13.

A sign of the Prime Minister's discomfiture is that instead of holding state elections in the southern state of Karnataka next month, as once expected, Mr Gandhi now seems likely to avoid a contest by prolonging presidential rule.

Seoul to let churchmen from North visit

By Maggie Ford

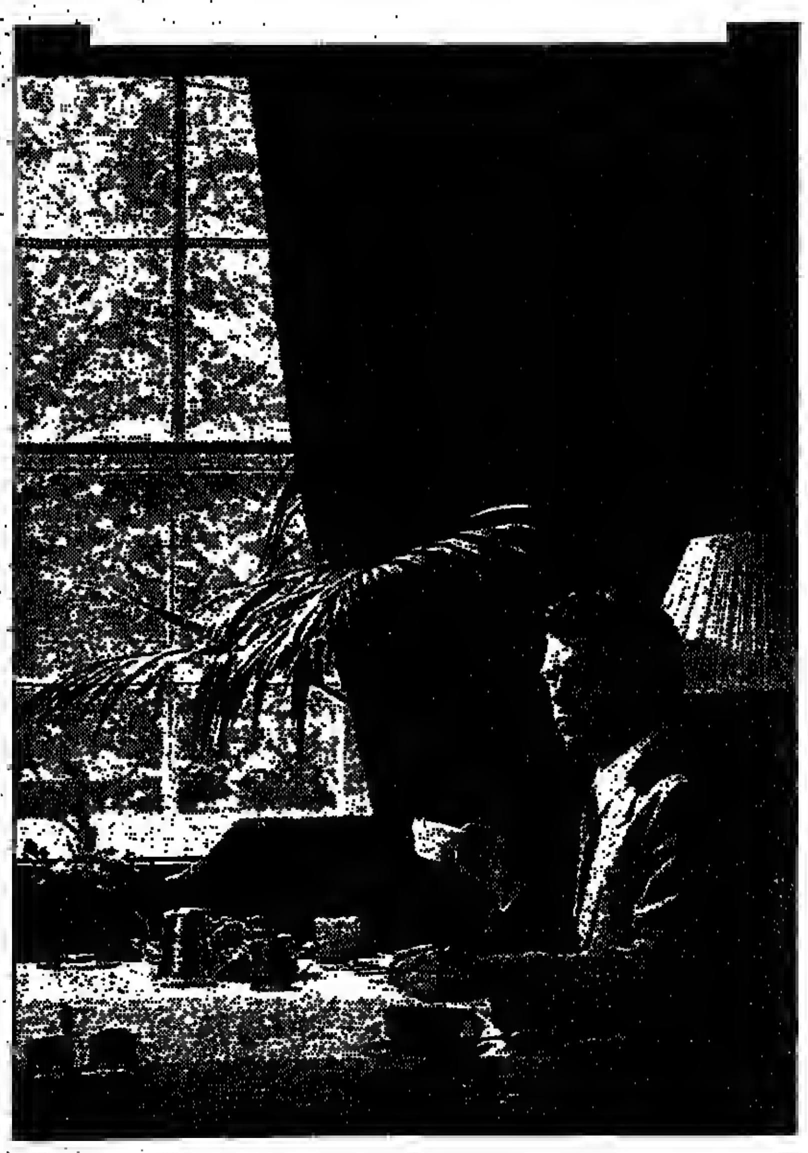
THE Sonth Korean government is to allow the Catholic Church to invite 20 North Korean believers to attend the World Eucharistic Congress to be held next month in Seoul.

The congress will be attended by Pope John Paul, paying his second visit to South Korea, which has a subatantial Catholic population. Two churches, one Catholic and one Protestant, were opened in communist North Korea a year ago.

The visit of the North Koreans will be the first to Seoul for several years. Other than a family exchange visit in 1985, there has been no contact between the two sides since the end of the Korean war in 1953.

A Catholic priest escorting a woman student on an nnanthorised visit to Pyongyang in July became the first South Koreans to travel across the border since the war. Both were arrested on their return and charged under the National Security law, which forbids contact with the North.

Also in jail is the Rev Moon Ik Hwan, a Protestant minister who visited the North in April, and Mr Suh Kyung Hwan, a member of parliament and representative of the Catholic Farmers Association, who went to North Korea last year.



Moscow asks Greenspan for advice

By Peter Riddell, US Editor, in Washington

THE Soviet Union is turning for advice on its economic woes to the personification of international capitalism, Mr Alan Greenspan, the chairman of the US Federal Reserve.

Mr Greenspan will visit the Soviet Union in two weeks' time, accompanied by Mr Robert Zoellick, the State Department Counsellor and a close aide of Mr James Baker, the US Secretary of State, closely involved in this year's review of US-Soviet relations.

Mr Greenspan's visit, from October 7 to 11, has apparently been under discussion for some time, though it was formally confirmed following the Wyoming summit between Mr Baker and Mr Eduard Shevardnadze, Soviet Foreign Minister. They discussed at length how to transform the Soviet economy to a more market-oriented form.

The visit underlines the growing US interest in, and concern about, the serious economic problems of the Soviet Union, as well as the willingness of Mr Shevardnadze and others to discuss these issues openly. Both foreign ministers decided to make informal economic discussions part of their regular agenda.

At the end of a wide-ranging discussion on Friday evening, Mr Zoellick was presented by his Soviet guests with a counterfeit 100 rouble note and a counterfeit $500 bill to underline concern about worthless money.

A senior US official accompanying Mr Baker said Mr Greenspan and Mr Zoellick would visit Moscow at the invitation of a senior Soviet economic adviser. It will be Mr Greenspan's first visit to Moscow since becoming chairman of the Fed in mid-1987.

The US opposes direct aid, such as loans and grants, but is willing to provide informal advice on price and currency reform.

The US official said the Soviet Union recognised that price reform was crucial, though there were many difficulties. To bring about monetary stability, the Soviet Union is considering remedies such as importing large amounts of consumer goods and selling them at big profits.

It was also thinking about using heavy gold reserves to support the rouble, as well as discussing the issne of bonds plus spending reductions to cut the deficit.

Sandinistas seek to divert defence funds for farming

NICARAGUA'S ruling Sandinista party has unveiled a "swords-to-ploughshares" strategy for the elections in February, promising to shift resources from defence to agricultural co-operatives and agro-export production, Tim Coone writes from Managua.

The platform was discussed at a party convention on Sunday, attended by 1,700 delegates from across the country who chose President Daniel Ortega and Vice-President Sergio Ramirez as the FSLN candidates for those offices at the elections.

The platform proposes to "promote and strengthen the co-operative movement and associated *campesino* [peasant] organisations as the fundamental pillars of the economy." Since 1979, the government has distribnted land to more than 80,000 rural families, and is proposing to give lands to 25,000 more in the coming six years, so that "not one campesino will be without land in Nicaragua." This would represent some 80 per cent of the rural population.

The party also aims to recover previous levels of coffee, cotton, cattle and sugar production, which bave been badly hit by the combined effects of an eight-year war against US-backed Contra guerrillas and a four-year US trade embargo. An economic growth rate of 5 per cent a year is being sought, as is a balanced budget.

No mention is made of Nicaragua's multi-billion dollar foreign debt, on which the government has declared a moratorium since 1983. Foreign investment is to be encouraged, however, as is worker participation in management. Tax incentives are to be granted to companies investing profits in bousing and welfare for their workforces.

Health and education programmes are also to be reinforced, while the finance for the overall strategy will come from a reduction of defence spending, now there is a prospect of peace in 1990, and from anticipated increases in foreign aid and credits. No details are given of projected armed forces reductions, which will be a main way to release finance to implement economic goals.

Mr Bayardo Arce, number two political figure in the FSLN, told foreign journalists at the weekend that the FSLN will finance its electoral campaign from its own resources and by issuing "Sandinista election bonds". He said these will have no negotiable valne, being only be a record of an individual's financial support for the party's campaign.

Brazilian trade surplus declines

By John Barham in São Paulo

BRAZIL'S August trade balance slipped to a surplus of $1.44bn, as the overheated economy sucked in more imports. The surplus was 31 per cent down on that of August last year.

International bankers are watching Brazil's figures with more attention than usnal, since the country fell behind with interest payments on its $110.7bn foreign debt in July.

Brazilian officials are in Washington trying to negotiate short-term debt refinance.

Consumer spending is booming as inflation advances to 35 per cent a month, feeding demand for imports and reducing export volume.

Foreign trade officials added that imports of machinery and raw materials, which accounted for the growth in imports, surged as Brasilia lowered import duties and trade barriers. Compared with August last year, imports rose 40 per cent to $1.934bn – the highest level in eight years. Exports faltered slightly, dropping 2.6 per cent to $3.374bn.

Officials are confident that Brazil will meet its 1989 trade surplus target of $16bn. However, unofficial forecasts of a $18bn surplus may prove unattainable. Brazil's 1988 trade surplus was $19.2bn.

Rash of pay claims feared after big Brazil bank award

By Ivo Dawnay in Rio de Janeiro

A LARGE pay award to the state-owned Banco do Brasil's 138,000 employees has raised fears of an explosion of new claims from Brazil's deeply indebted public sector.

The increase of 152 per cent, announced last week by the national labour high court, met union demands almost in full, despite warnings from management that it would jeopardise operations.

Negotiators for the bank workers had argued their case on the grounds that the government had acknowledged in official documents that the January inflation rate had been 70 per cent, and not the 35 per cent stated at the time. By accepting that claim, in a 7:2 vote, the court has opened the door to a flurry of similar claims from public sector companies where pay is linked to inflation.

The judgment is being fought by the government, which might take the case to the Supreme Court. It has also provoked a stern warning from Mr Mailson da Nobrega, Finance Minister, that implementing the award could put the bank in jeopardy.

The Banco do Brasil, which combines commercial bank activities with certain non-profit functions, has been in serious difficulties this year. In July, it reported gross profits of NCz48.7m (£18.1m), its worst first half for many years and far below the NCz261m achieved by Bradesco, its nearest private sector rival.

This collapse – 90 per cent down on the figure of the previous six months – was attributed to a variety of factors including costly farm loans and a sharp rise in non-payments by loan holders (up from 4 per cent to 20 per cent). A recent in-house study showed that, at best, the bank could pay its employees a 91 per cent rise. "If this goes up to even 95 per cent, the projections show we would have serious problems," a bank official said.

Mr Nobrega said in Washington that, if the new award were not reduced, the bank would have to close some of its 4,200 branches and dismiss staff.

Some measures to cut costs have been imposed already, including an end to interest-free loans to employees made without links to the inflation index. Perks such as this have made the bank's employees among the most privileged in the country.

Sarney hits back over environment

By Michael Littlejohns at the UN in New York

THE world was able to concern itself about the Amazon rain forest because it was still there after Africa and Asia had been despoiled by "large colonising companies," President José Sarney of Brazil said yesterday.

Responding to criticism of his country's environmental policies, he told the UN General Assembly that Brazilians had preserved Amazonia and would continue to do so, but they would never accept restrictions on their sovereignty.

Brazil has been sensitive to the sovereignty issue since the UN became involved in ecological questions in the 1970s.

Mr Sarney claimed government policy had reduced fire-clearing of the forests by about 40 per cent in one year, the export of timber was banned, and "predatory projects" had been eliminated. About 8m hectares were subject to a permanent conservation law.

He rejected suggestions that less-developed lands engaged in irresponsible behaviour where global ecological balance was concerned. "Industrialised countries bear the greatest responsibility for the pollution of the environment," he asserted.

Gen Avril: In face of protests, thanking military for its support

Rocky road ahead to Haiti elections

Canute James points out the potholes

WHEN young army officers overthrew Haiti's military ruler a year ago and installed General Prosper Avril as the head of government, they issued a statement of their reasons for the coup, and what they hoped to achieve. Most of Haiti's 6m people were encouraged by one undertaking – the holding of elections and the transfer of power to a civilian government.

Gen Avril announced at the weekend that elections for a civilian president would go ahead in October next year. But Haiti's multitude of political parties might be forgiven if they remained somewhat cynical of their chances of playing a full role in the process to end almost 35 years of government first by the Duvalier family dictatorship and then by generals.

Gen Avril's decision will have been opposed by older military officers and ultra-conservative supporters of the Duvalierists, and there is no certainty that there will not be a repetition of the events in November 1987 when armed thugs aborted an election by murdering 35 prospective voters.

The massacre led to a suspension of foreign aid to the country, but while donors have continued to nse the withdrawal of aid to turn Gen Avril towards an election, the economic situation in Haiti, traditionally the most depressed in the Americas, has worsened. The Government has been forced to print unbacked money to finance its obligations, and late payments of salaries to soldiers is fuelling resentment among officers already displeased with Gen Avril.

The black market in hard currency has mushroomed, with traders asking as many as 30 Haitian gourdes to the US dollar, against a rate of five to the dollar which has prevailed for the past half century. Gen Avril sought and received assistance from the International Monetary Fund, which is providing credits of $21m, with the World Bank offering a further $44m.

But the Government will have to pay out $11m of the new funds to meet arrears on its foreign debt, and the austerity conditions which it has imposed are unpopular. Basic food and materials such as sugar, flour and cement have attracted price increases averaging 30 per cent, while taxes have been raised on electricity, telephones and water.

The measures led to protests recently by political parties and trade unions – albeit mild by Haitian standards. Motor vehicle horns were sounded for 15 minutes to protest increased prices. But government officials say the economic changes would have been made even withont an agreement with the IMF.

Such protests are likely to be viewed with concern by Gen Avril as they could provide a cover for disgruntled soldiers to make a third attempt at unseating him. It was not surprising that in a public address to mark his year in office, Gen Avril made much of thanking the military for their support. He also asked Haitians, 60 per cent of whom are unemployed, to exercise greater austerity for the national good.

The US government, which has repeatedly described Gen Avril as offering Haiti's best chance for democratic change, has so far led in accepting his timetable for elections. It has been on the basis of his promises in the past that Washington has started to grant moderate quantities of aid. Another $40m is due in the fiscal year which begins next month.

But most of the Haiti's leading politicians, and the governmente in neighbouring Caribbean countries, consider this timetable to be unduly long. Diplomats in Port-au-Prince, the capital, are convinced the transition can be made much earlier. There is also concern among the politicians at the military government's ability or desire to enforce a section of the constitution which bars for the next decade military officers and known supporters of the Duvalierist dictatorship from standing for office.

The Caribbean Community, made up of the English-speaking states of the region, have offered to assist Haiti in organising elections. Like the Americans, Haiti's neighbours are concerned that the country should not again degenerate into political chaos.

An election will be difficult to administer. While Gen Avril has scored points for some liberalisation of the media in the capital, near anarchy prevails in the countryside. Army officers in charge of particular regions have carved out virtual fiefdoms, administering rough justice with impunity.

Fund will take tough action over arrears

By Peter Norman, Economics Correspondent

THE International Monetary Fund has decided on tough action against members which deliberately run up arrears with the fund.

Mr Michel Camdessus, IMF managing director, told a news conference yesterday that persistent offenders could face withdrawal of their membership of the fund. Outlining the IMF's strategy, Mr Camdessus said the fund could interrupt its technical assistance operations for members in arrears.

Those countries also would not benefit from the increase in quotas or membership subscriptions now under discussion.

The IMF could also issue a declaration of non-co-operation against an offending country. This would be one of the last steps before the IMF mangement sought withdrawal of membership of a nation in arrears of the fund.

Before that happened, the managing director would have written to fund governors in the other 151 member countries to seek pressure from them on the nation in arrears. Mr Onno Ruding, Dutch Finance Minister, who chaired the meeting yesterday of the 22-government, policy-making IMF Interim Committee, said the fund would make a clear distinction between those countries in arrears, but working on settling their obligations, and those which have refused to co-operate.

The IMF's annual report showed that arrears of six months or more had increased rapidly to about $3.5bn by the end of April this year, from $2.37bn the year before.

Thirteen countries have overdue obligations. Five have agreed to adopt policies, supported by the IMF, to reform their economies and pay their arrears to the fund. A communiqué issued yesterday, after the meeting of the Interim Committee, called on all fund members in arrears to correct their economic imbalances and regularise their relations with the IMF. It pointed out that arrears impose a burden on all other fund members.

Japanese aspirations place British pride at risk

Peter Norman looks at winners and losers in a change of precedence among the fund's shareholders

OFFICIALLY there is nothing to talk about. Unofficially, Japan's wish to move up from five to two in the International Monetary Fund pecking order, displacing Britain from its position as second largest shareholder, is straining the imaginative powers of senior monetary officials in the world's five biggest countries.

The ranking issue centres on reconciling the apparently reasonable proposition that the world's second largest country should be the second largest shareholder in the world's leading monetary agency with Mrs Margaret Thatcher's known dislike of having Britain concede anything in international affairs.

It is at times such as this officials begin to think in terms of what price can be extracted for real or apparent concessions.

One idea circulating in Washington would see Japan and West Germany each occupy the number two position in the Fund. The US would stay as the biggest shareholder with perhaps slightly less than its existing 19.9 per cent share of Fund quotas or subscription rights but retaining holding well above the 15 per cent level that ensures a veto over IMF decisions. Britain and France would be next in the rankings at joint number three or four, depending on whether a it is a politician or mathematical purist who sets out the pecking order.

Under this scenario, Britain would be the only nation of the five top IMF shareholders to make real concessions. Not only would Japan gain by moving to number two, West Germany would move from third to joint second while France's position would be unchanged.

However, this scenario would involve Mrs Thatcher admitting that France is on a par with Britain. The feeling among seasoned observers of UK affairs is that she would find this difficult to swallow.

Even pride could have a price, however. British acquiescence in being awarded a bronze instead of a silver medal in the monetary Olympics could, it is thought, be bought by an understanding that the managing directorship of that international Monetary Fund should not become a French fiefdom.

Mr Michel Camdessus, the present managing director, is the second French man in succession to occupy the post. French nationals also are in charge of the European Communities Commission and the Organisation for Economic Co-operation and Development.

Moreover, Mr Camdessus is a man of firm ideas and has an at-times difficult relationship with the US, the IMF's leading shareholder.

What should be more reasonable than after his present term of office in two years time, he should make way for a managing director of another nationality? Contenders could be Japanese or – after letting Japan move to number two – even British.

Such ideas may appear logical. But they would be very difficult to implement without the co-operation of the US or France, which would then become a clear loser from the quota reshuffle.

Perhaps that is why British Treasury officials yesterday dismissed such speculation as "rubbish". But in this environmentally conscious age rubbish has a way of being recycled and taking on a new, prolonged lease of life. Watch this space.

Paris 'could do deal on voting shares'

By Peter Riddell, US Editor, in Washington

FRANCE is prepared to agree to the UK having the same voting share as itself at the International Monetary Fund, in the reallocation after the forthcoming review of quotas, or membership subscriptions.

At present, the UK has the second largest voting share behind the US, and the US and other leading fund members accept the case for Japan, currently in fifth place, to move up to second. The British have been reluctant to negotiate a change in IMF rankings until agreement is reached later this year on a general quota increase.

Mr Pierre Bérégovoy, French Finance Minister, said yesterday that on the basis of rankings "consistent with economic strength", such as Gross National Product and GNP per capita, France should remain number four, as now.

However, France, he said, was "willing to be on the same level and ranking as Britain if it would make things easier".

By an elegant exercise in Gallic logic, Mr Bérégovoy said that the fourth and fifth (implying Britain) would be on the same level, like football rankings. The UK, he added, had not taken a final decision. France was willing to be conciliatory.

He backed the call by Mr Michel Camdessus, fund's managing director, for a 100 per cent increase in IMF quotas. While noting that some fund members supported only a 25 per cent rise, he suggested a compromise increase of around two-thirds might be acceptable.

Mr Bérégovoy said: "There has to be more liquidity in the IMF. Today we hear that things are going well. But they are not necessarily going as well as we hear. The IMF has to... keep an eye to the future."

He said there were differing opinions over the size of the quota increase needed. "There seems to be a middle ground approaching two-thirds (increase) or 66 per cent," Mr Beregovoy said. "I prefer a good compromise to no agreement at all."

Reuter adds: Japanese officials said they were optimistic about winning a bigger voice in the International Monetary Fund after a two-day meeting of the policy-making interim Committee.

A senior Japanese official said the committee opened the way for a bigger role for Tokyo by agreeing to consider a special subscription increase for Japan when a final decision is reached on a general capital or quota rise.

"We are now positive about a bigger position in the IMF as its communiqué opened the way toward the Japanese goal," said a senior Japanese official, who asked not to be identified.

Agreement on loan for Venezuela

By Stephen Fidler

VENEZUELA and leading foreign bank creditors have agreed on a $600m interim loan, to enable the country erase its interest arrears to banks.

The agreement to make the unsecured financing to Venezuela's central bank, finalised yesterday, comes after months of talks with the banks, led by Chase Manhattan.

The country's arrears to creditor banks have been building up in the meantime. After the new loan, Venezuela is expected to make interest payments of more than $1bn to banks, which will wipe out arrears.

The interim financing should allow time for a full debt agreement, expected to include debt reduction options, perhaps early next year.

The hope is that the interim financing will help clear the air and improve relations with the banks.

Michael Littlejohns adds from the UN: President Carlos Andrés Pérez of Venezuela warned yesterday of a possible "social explosion" affecting 1bn people unless creditor countries showed greater concern for a growing crisis.

He told the UN General assembly that, if the problem were not solved – and steps taken so far were inadequate – the entire global political balance was at risk.

Poland advised by Lawson to reform its economy

By Stephen Fidler, Euromarkets Correspondent, and Peter Riddell

MR NIGEL Lawson, UK Chancellor of the Exchequer, met Mr Leszek Balcerowicz, Polish Finance Minister, in Washington yesterday, after likening Poland's task in reforming its economy to the rebuilding of the German economy after the Second World War.

"Daunting though the task is," Mr Lawson told the interim committee of the International Monatary Fund, "deliberate gradualism would only make it harder, if not impossible.

"If there is any model, it is the Erhard approach to rebuilding the German economy after the war. Poland needs to make the adjustment to a sound, market economy as swiftly as possible." The immediate task for Poland was to get its macro-economic policies right, and stop inflation running out of control.

To this end, countries must be ready to give financial help, including rescheduling of Poland's official debts at the Paris Club of creditor governments.

Poland should encourage inward investment, by ratifying the Multilateral Investment Guarantee Agency convention as soon as possible. It should set up some enterprise zones, where bureaucratic controls would be absent, the Chancellor said.

A major privatisation programme would be needed, whether in the context of debt-equity swaps or not. The UK was ready to advise on this. Curbs on private farmers should be removed.

The UK had offered $40m in the form of a "know-how" fund, and was ready to increase this, Mr Lawson said.

> "If there is any model, it is the Erhard approach to rebuilding the German economy"

All nations could help by training managers in operating in a market economy. Countries should remove curbs on Polish imports. Brussels had taken a lead on this. But, while governments could help, Poland should look to the private sector, said the Chancellor.

Western finance ministers and leaders of the multilateral institutions are stepping up talks with Poland in the hope of securing early agreement on an economic reform programme.

Mr Michel Camdessus, IMF managing director, is to visit Warsaw shortly to complement discussions already under way between a fund team and Polish financial officials on a stabilisation programme.

Mr Pierre Bérégovoy, French Finance Minister, said he and fellow Western ministers were being given a series of presentations in Washington by senior Polish officials on their economic programme, covering the Polish inflation problem, a strategy for stabilising the economy, and a request for international assistance.

Senior US officials hope a letter of intent can be signed by the Poles in November or December, coming into effect early next year.

But there is some disagreement among leading creditor nations about how much of the rescheduling of Poland's $40bn debts by the Paris Club of creditor governments should be agreed before such an IMF programme is in place. Mr Bérégovoy said interim solutions might be necessary since it would take time for the IMF to make a diagnosis.

Aid for Poland, Page 27

IFC offers Warsaw aid for market orientation

By Peter Norman

THE International Finance Corporation has offered a five point programme to Poland in order to help it develop a market-based economy.

The IFC, a World Bank affiliate which promotes private investment in developing countries, offered:

- A programme of investments, particularly joint ventures, with foreign companies;
- Assistance to the Polish government in privatising state-owned enterprises;
- The creation of at least one new bank, with participation of foreign private banks, to help modernise Poland's financial sector and so provide a basis for the development of strong private sector companies in Poland;
- Technical assistance in developing capital markets;
- Assistance with establishing an advisory service for Polish companies, especially newly established businesses.

Sir William Ryrie, IFC executive vice-president, outlined the programme at a meeting on Sunday with Mr Leszek Balcerowicz, Polish Finance Minister, and Mr Wladyslaw Bak, Poland's Central Bank president.

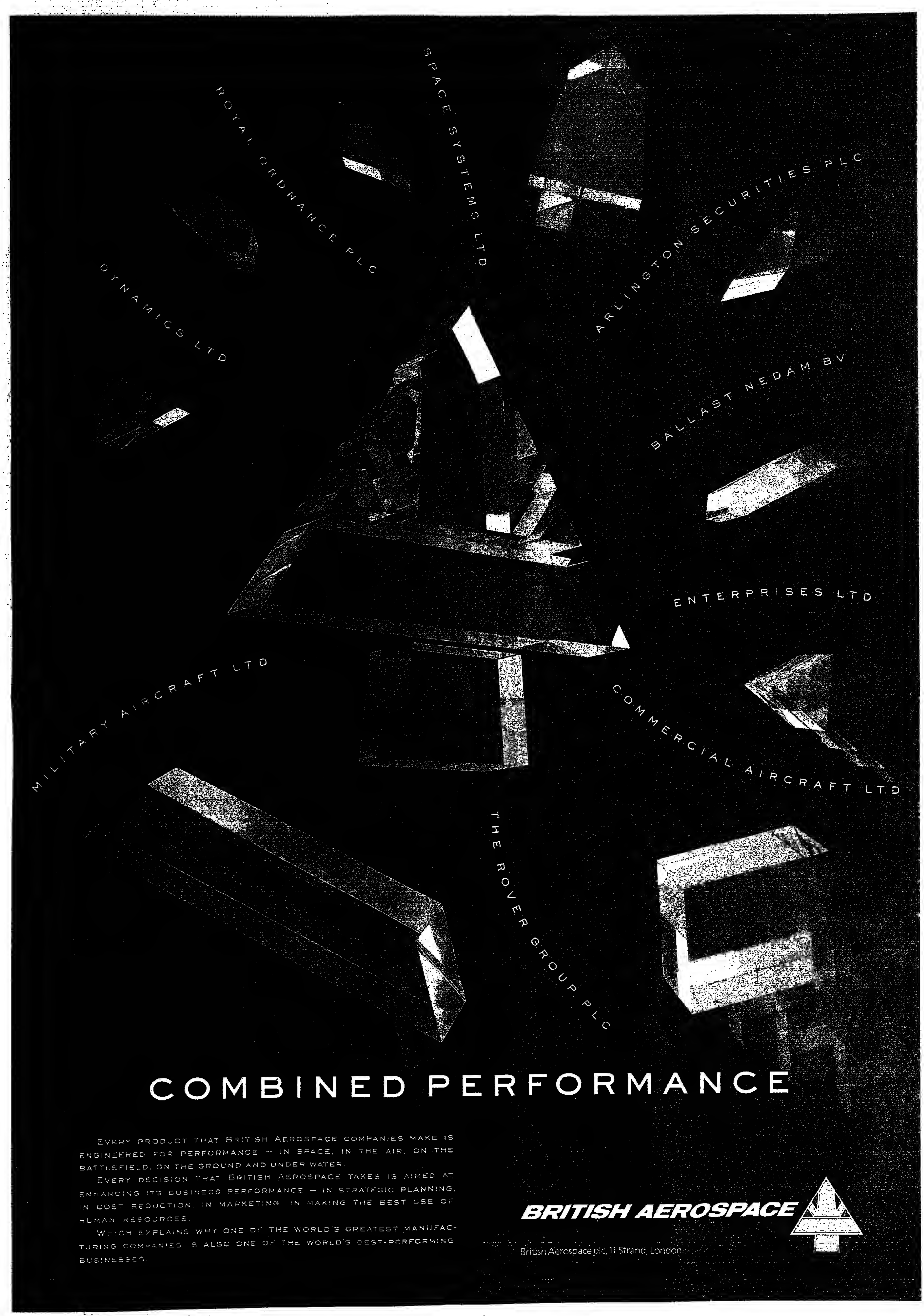
The IFC official said that Poland was particularly keen to establish new banks, and had already sought advice on banking regulation and how to attract foreign banks to Poland.

The IFC has already started its joint venture programme with an investment in the horticultural sector. Work is proceeding on several other projects, he added.

The IFC has already been helping Hungary develop its economy for three years.

Sir William said the corporation had approved seven joint venture investments with Hungary, including a joint venture bank established in partnership with banks from West Germany and Austria, and with the Hungarian National Bank.

The IFC is examining six other joint ventures, he said. Altogether, it has invested funds equivalent to $67.9m in Hungary on projects worth a total $277m.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BRITISH AEROSPACE
British Aerospace plc, 11 Strand, London.

Britain agrees to renew World Bank aid pact

By Peter Montagnon, World Trade Editor

BRITAIN has agreed to renew a three-year-old agreement with the World Bank under which the Government said it would put up aid support for up to £200m-worth of World Bank projects in developing countries.

The agreement, launched with a fanfare in 1986, was designed to encourage British companies to take more interest in bidding for World Bank business amid worries that the UK was losing out to other countries. But it expires this autumn with very few exports signed up.

Officials said earlier this summer that it would be renewed in order to win business from World Bank contracts which can take many years to come to fruition. Other countries, such as France, also have similar co-financing agreements and have experienced similar difficulties in turning them into hard export sales.

Announcing the three-year extension yesterday, the Overseas Development Administration said the UK had secured financing of a water and sewerage project in Pakistan with an export value of £19.3m under the arrangement. It had also pledged to provide "aid-and-trade" support up to $50m to develop private- sector power generation in Pakistan and offered support for two projects in Ghana worth £27.8m.

The agreement allows the Government to select in regular discussion with the World Bank, projects which might be eligible for co-financing through mixed credits or soft loans arranged under its Aid and Trade Provision. It is thought likely to improve the chances of British companies bidding for World Bank supply business.

Its renewal comes at a time, however, when British firms are again increasing their share of World Bank contracts after a period of decline.

In the year to June 30, the World Bank's disbursements to UK companies climbed to $935m (£584m) from $710m in the previous year, and the UK share of total foreign disbursements by the Bank grew to 10.1 per cent from 7.6 per cent.

Five consortia set to vie for Indonesian phone deal

FIVE foreign telecommunication consortia are expected to submit proposals this week to supply Indonesia with a digital switching system, a deal worth up to $1bn (£625m), John Murray Brown reports from Jakarta.

Tenders close on October 1 for the five consortia – Alcatel of France, AT&T, Fujitsu and NEC of Japan and L.M. Ericsson of Sweden – to instal 300,000 lines and a computerised exchange or digital switching system.

Indonesia is pledged to spend $4bn over the next five years to meet rising demand from industry and the growing financial services sector.

Indonesian private-sector financing is being considered under a franchise agreement, where the investor recovers his cost by charging phone customers.

A contract for the supply of mobile phones is also set for tender. Ericsson and Motorola are competing to supply some 12,000 units.

The switch contract is the second phase – the first system was supplied by Siemens of West Germany in 1984.

Financing is expected to be the deciding factor for the initial snpply contract worth about $200m. Both Alcatel and AT&T, the early favourites, are seeking soft loans from their governments. AT&T is lobbying the US Eximbank. AT&T's collaboration with Phillips of the Netherlands should provide access to Dutch government financing.

Bagnoli plant decision could influence EC-US steel quota talks

NO DIRECT link exists between European Community efforts to persuade Italy to shut its Bagnoli liquid steel plant near Naples, and this week's EC-US talks on US steel quotas, Tim Dickson reports from Brussels. Bnt as industry ministers of the 12 arrive in Brussels today for what could be an acrimonious meeting, many feel the outcome could have an important bearing on the "atmosphere" of the trans-atlantic talks.

The Bagnoli issue focuses on the blessing Brussels gave to Italy's provision of £2.3bn to government-owned plants on condition Italian steel capacity was cut. Hopes have risen that the US will soon offer some "realistic" concessions on the shape of the new "voluntary" quotas or Voluntary Restraint Agreements (VRAs). These are designed to run for 2¼ years from the end of this week, when the current five-year programme with 29 exporting countries ends.

The VRA talks have proved complex and politically charged, partly because the US is trying to reach parallel accords with each country or bloc on trade distortions and market access (ths so-called "consensus agreements"), and partly because Japan and the EC have been asked to accept lower export quantities, so Mexico and Brazil can be given more.

The EC side greeted the US's first offer with barely-hidden fury. Terms involved 15-20 per cent cuts in amounts to be shipped, depending on which of the 34 product categories was chosen. "What they had in mind on the consensus agreement was far from compatible with Gatt principles," one EC official said. Chances of an upward quantity revision is thought slim just now, though EC officials will look for hints that the US will be flexible later.

Brussels estimates combined first offers to all VRA countries totalled 15 per cent of US consumption, against 18.4 under the "old" agreements, with scope for last-minute compromise. Overall, the US has indicated it seeks a "same again" 18.4 per cent global figure, with a possible extra 1 per cent tied to consensus pact conditions. More immediately, the EC expects to be offered an improvement in terms covering flexibility between products – the current arrangements allow for transfers of up to 5 per cent – and more generous rules for carrying quotas into the next year, and "advance use" of the next year's quantities.

The Bagnoli case is thought more relevant to the EC-US consensus accord being sought by Washington on subsidies and market access. Irritation has arisen at how the US has tended to depict its own regime as relatively blameless, pinning criticism for failure to liberalise world trade on other nations. The UK, for example, has paid no aid to British Steel since 1985, while the West German industry has been forced into sacrifices in restructuring.

Despite some sympathy, it is felt in Brussels (and London) that the Italians are letting the side down. Last year, the EC approved £2.3bn debt write-offs at the state-owned Finsider operation, depending on restructuring. The most significant was for closure of the Bagnoli plant, which Rome reluctantly agreed to do by June this year, but which it now apparently wants to put off because of Europe's healthy demand for steel (including Bagnoli products).

Other member-states agreed not to press the point in June, but the Commission has come up with a new deadline – March next year. Under EC rules, the Council of Ministers' verdict must be unanimous, but if Italy blocks accord today, many feel Brussels must re-open the case in the European Court of Justice. The US, and EC governments, will watch with interest.

Taste for the exotic fuels Japan's imported car trade

Foreign models are becoming a necessary touch of class in retail outlets, writes Michiyo Nakamoto

IN a corner of Seibu department store in central Tokyo, past the men's suits, the knitted sweaters and designer ties, and just next to the entrance of the parking lot, is a row of spanking new Citroens in hright red and white and Saabs in soft and steely shades of silver.

In another part of town, nestled among the comfortable homes of Jepan's *nouveau riche*, is a branch of the famous Mitsukoshi department stores, where Mazda's flashy new sports car, the Roadster, and Citroen's celebrated BX models, draw attention away from the silk dresses and cashmere scarves.

While the US and Britain in particular pound on with their demands that Japan open its markets to foreign products, it may have gone unnoticed that the growing preference among Japanese consumers for imported goods is already opening many doors – sometimes, as in the case of imported cars, in surprising places.

Retailers, such as the department stores Seibu and Mitsukoshi, or supermarket chains such as Jusco, have been some of the more conspicuous new entrants to the dealership business, but by no means the only ones. Trading companies, a recently privatised national railway company and a confectionery maker are among those which have begun to sell foreign cars.

Mitsukoshi has been selling foreign cars for some time through its antomobile division, earning an average Y6bn (£26m) in agent sales a year. This year it established a fully-fledged dealership, Mitsukoshi World Motors.

"The car industry is growing," said a spokesman for Mitsukoshi, "and we didn't want to remain just an agent."

While sales of domestically produced cars have been rising steadily, with a 12 per cent rise from 3.05m units in 1987 to 3.43m last year, sales of imported cars surged 37 per cent from 97,750 units registered in 1987 to 133,583 units last year. Imported cars increased their share of the market from 1.4 per cent in 1984 to 3.7 per cent last year.

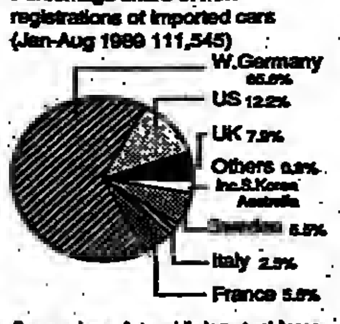
Japanese carmakers themselves have come to accept the benefits of hringing foreign cars to their storefronts to complement their product lines. Last year sales tie-ups between Japanese and foreign makers became something of a fad with six such arrangements announced within the year.

Until then, the big Japanese prodncers, even those with ownership links to foreign companies, had leaned heavily on their dealers not to take on foreign lines, a practice which has been loudly denounced by the US and other governments.

Through its agreement with Isuzu Motors, Opel, the West German car maker, has gained 100 new retail outlets, and is aiming for another 100. General Motors, which has sold its cars through Yanase, the importer, and through a 1971 tie-up with Isuzu Motors, has begun selling through Suzuki outlets as well.

Japan

Percentage share of new registrations of imported cars (Jan-Aug 1989 111,545)



Source: Japan Automobile Importers' Assoc

Suzuki has opened 100 of its outlets to GM and Peugeot and expects to bring that nnmber up to 200 within the next year or two. GM has stakes in Opel, Isuzu and Suzuki. Volvo joined hands with Fuji Heavy Industries, which makes Subaru cars, and added 15 dealerships in less than a year while its original network of 38 dealers took 12 years to build up.

Daimler Benz, sold in Japan through Yanase, has set up a joint venture with Mitsubishi Motors, which aims to establish 50 Benz dealerships from among existing Mitsubishi dealers by 1993. A spokesman for Mitsubishi Motors also said recently that it was prepared to consider selling Chryiser's cars through its domestic network as well. Chrysler has a 18.1 per cent stake in Mitsubishi Motors.

Mazda, in which Ford has a 23.4 per cent stake, has been selling Mazda-made Ford cars since 1982. It started selling US-made Fords in February last year and Citroen's BX series this month. Next January, it will start selling Fiat's Lancia compact series.

Meanwhile, Nissan, which makes its own luxury cars, has plans to sell Volkswagen's Passat through its own dealers while Toyota says it is not ruling out the possibility of making a similar move.

The companies have been under some pressure from the Ministry of International Trade and Industry to increase their imports of foreign products. "Just because two cars are in the same class it doesn't necessarily mean that they compete with each other," says a spokesman for Nissan.

For their part, the car dealers, which still have to be careful abont their relationships with producers, have found ways to ensure that they do not miss out on the substantial profits to be made on foreign cars.

Tokyo Nissan Motor Sales, for example, is restricted to selling Nissan cars, but has set up a subsidiary, Nissan Capital, to sell cars made by Audi and Daimler Benz. Seibu Nissan is a Nissan dealer that can only sell specific lines of Nissan cars in its designated area; but a sister company, Seibu Motor Sales, sells a variety of foreign cars.

SALES OF IMPORTED CARS IN JAPAN

Year	Number	Market share (%)
1984	41,982	1.4
1985	50,172	1.7
1986	68,357	2.3
1987	97,750	3.1
1988	133,583	3.7

Changing consumer preference is doubtless the chief force behind this dramatic change in the market environment for foreign car makers. While uncertainty still exists as to the actual technological quality of imported cars, they have succeeded in capturing the growing Japanese demand for something different.

"The imports don't have anything over the Japanese cars except their uniqueness," says one industry analyst. But uniqueness is what consumers are increasingly looking for, not only as an expression of their individuality but also as a status symbol.

On another level, changes in consumer shopping patterns are making it increasingly important for retailers and for producers to ensure that their sales outlets get enough store traffic to generate sales. For the retailers, selling imported cars is not only profitable it also creates an extended link with customers through after-sales care.

"In the retail industry we have to think about our customers first, so we need to offer a variety of products," says Mr Toshiro Miyoshi at Jusco, the supermarket chain. Jusco sells Ford and Subaru cars

The trend-setting Seibu has come up with the idea of a "megadealer", a kind of car department store where consumers would be able to browse among a truly international range of cars. Defying all warnings that such a store would never be possible, since it would incur the wrath of already established dealers as well as the manufacturers with their strict rules of who gets to sell what, Seibu plans to open such a store next May in the northern city of Sapporo. For a start it will bring together Jaguar, Peugeot, Chrysler, Citroen and Saab models and plan to sell 200 cars in the first year.

Jusco's Mr Miyoshi believes cars will be sold increasingly through retail outlets such as shopping centres. To that end, the company has made sure in its contract with Subaru that it will not be restricted to selling Subaru cars.

"*Storefront* sales are becoming increasingly important," says Mazda's Mr Yoshida. This in turn means that retailers must offer something exciting or exotic to attract people. Mazda aims to sell 500 Citroen units a month but Mr Yoshida admits that one of the benefits of selling imports in Mazda's own outlets is the "synergy effect" they will have on the sales of Mazda's own cars.

"If there is a Citroen in the store people will say, 'let's go see'," he says.

Sizewell nuclear power plant £170m over budget

By Max Wilkinson and David Green

THE COST of Britain's latest nuclear power station, at Sizewell in Suffolk, has run £170m over its budget in the first two years of construction, it was disclosed yesterday.

The Central Electricity Generating Board (CEGB), which is managing the project, said the new pressurised water reactor (PWR), the first in a planned family of four, was now expected to cost £1.86bn in 1987 money. This is 59 per cent more in cash terms than the CEGB estimated at the time of the pnblic enquiry into the project in 1981.

After the electricity industry is privatised next year or in 1991, control of tbe nuclear plant is expected to pass to National Power, the larger of the two generating companies whicb will take over the CEGB's power stations.

Under the Government's plans all tbe nuclear costs, including over-runs in capital spending, will be passed on to electricity consumers via a special noclear levy. The 12 area distribution companies will be obliged to purchase the output of all of the planned and existing nuclear power plants. Negotiations on tbe initial size of the nuclear levy have now reached a critical phase.

Much of the rise represents inflation – UK factory gate prices rose 37 per cent in the period – hut the latest increase, which cannot be accommodated within the £200m contingency reserve, is for unforseen cost increases in three main areas: site construction, the nuclear steam supply system and in controls,instrumentation and computer software.

A spokesman for the board said the over-run was "bad news, whichever way you look at it" and the new figures had caused a "great deal of agonising".

The higber costings were presented yesterday to the public inquiry into plans for a replica PWR ar Hinkley point in Somerset. The inquiry was told that only some of the additional costs would be incurred at Hinkley, adding perhaps 3 to 4 per cent to the overall budget, and raising the estimated cost of all four PWRs from £5.9bn to £6.2bn.

Since 1981, £100m has been added to the cost of the Sizewell plant as a result of the delays caused by the inquiry, a further £80m was added because the CEGB now counts in the cost of the initial charge of nuclear fuel and a further £300m reflects tbe general inflation of power station costs.

The latest 10 per cent rise has been caused by additional payments to contractors on the Sizewell site to keep the project on schedule, design changes to the steam system to make inspection easier, and additional costs for control systems. A spokesman said final design of tbe control systems had been left until late in the project in order to take advantage of the latest developments in equipment. This had resulted in extra costs.

The increase in costs will make the PWR family look significantly less attractive economically compared with an equivalent-sized coal- or gas-fired installation.

Dr Derek Bunn, chairman of the decision sciences department at the London Business School and author of a recent study on comparative generating costs, said yesterday that the new cost figures suggested that a nuclear plant could not be competitive with a coal plant unless a low return on capital was assumed – about 4 per cent after tax and depreciation. When the industry is privatised, however, investors will be looking for a return of nearer to 7 per cent.

Friends of the Earth, the environmental pressure group, said the new cost estimates would "send shivers of doubt through the City" and hasten a decision by the Government to leave the whole of the nuclear industry in the public sector.

In July, the Government announced that it had reversed an earlier decision to privatise the elderly Magnox nuclear power stations, mainly because of large increases in the cost estimates for dismantling them.

The new cost estimates may mean a delay in completing the Hinkley inquiry which was due to finish tomorrow. Mr Michael Barnes QC, the inspector, is to consider giving ohjectors the chance to cross-examine the board on the revised costs. He may then adjourn the inquiry.

In Brief

Tories to debate Ulster affiliate

The Conservative Party conference will this year for the first time debate an application for affiliation by the Conservative Association of North Down, Northern Ireland.

The motion, if adopted, could mark the start of a move into Northern Ireland politics by the main UK parties. The decision to allow the debate highlights a softening in opposition among senior Conservatives to the formation of local parties in the province.

In the past, senior members have argued that the development would split the pro-Union vote, improving the election prospects of nationalist parties.

Oxford St deal

London & New York Estates, the property company run by Lionel Kustow, and Robert Fraser the investment bankers, are huying Colgate-Palmolive House on Oxford Street for £40m.

Penguin verses

Penguin Books is expected to publish a paperback version of Salman Rushdie's controversial novel The Satanic Verses towards the middle of next year, though the publishers say no date has been set.

Shell sued

The National Rivers Authority is to prosecute oil company Shell UK over last month's spillage of more than 150 tonnes of Venezuelan crude oil into the River Mersey from a pipeline at the Ellesmere Port refinery.

Ulster boost

Almost £500m, including more than £93m from the EC, will he spent on improving Northern Ireland's transport infrastructure in the next five years, Ulster's Economy Minister Richard Needham said in Brussels.

New paper expands

The Sunday Correspondent plans to print ahout 700,000 copies this week after estimated sales of between 550,000 and 600,000 for its second issue on Sunday, which chief executive Nick Shott said exceeded targets.

Police find City frauds widespread

By Richard Donkin

MORE than half the City of London financial institutions questioned in a police crime survey had been the victims of fraud, a senior detective said yesterday.

Detective Superintendant Don Randall, of the City of London police fraud squad, told delegates at the International Police Exhibition and Conference in London that from July 1988 to July 1989 the police could point to £477m obtained by fraud or subject to fraud within the Square Mile, which comprises both its jurisdiction and the main London financial area.

He said that nearly 59 per cent of the 58 City institutions that took part in the police survey earlier in the year had lost out to fraudsters.

Less than a third of companies in the survey said they reported all frauds to the police and nine of the companies questioned admitted they had not reported specific frauds to the police.

In one unreported case the amount stolen was between £1m and £10m. Two cases were between £100,000 and £250,000 and the rest involved sums of less than £100,000. Two cases of reported fraud were in excess of £10m.

Mr Randall said that when asked why the cases were not reported five companies gave no answer.

In 61 per cent of the cases the fraudster was an employee, although the figure could be higher because nearly a third of the banks and institutions asked whether an employee carried out the crime did not answer the question.

In companies which admitted that employees were responsible, 38 per cent were found to be directors or managers.

Mr Randal said that nearly a fifth of the companies questioned said that they would not report a fraud if adverse publicity ensued.

Questionnaires were completed by 15 merchant bankers, 31 foreign banks, one assurance company, one discount house, one security broker, five investment and four general banking houses.

More than 65 per cent of the sample had no policy for dealing with fraud.

The City police have put together a contingency plan called Fraudstop to guide and assist companies which could find themselves victims of large-scale frauds.

Co-ordinated and speedy responses to City frauds, coupled with new powers available to the Serious Fraud Office, had helped the police save companies from a number of serious crimes, said Mr Randall.

He said: "In recent times covert action has prevented loss in excess of £81.5m and 90 people have been arrested."

Barclays unprepared for volume, ships credit vouchers to the US

by David Barchard

GROWING VOLUMES of credit card business are forcing Barclays Bank, the largest of the Big Four clearing banks, to fly credit card vouchers to the US for processing.

A Barclays spokesman confirmed yesterday that the bank had sent 3m vouchers, equivalent to about half a typical week's work for Barclaycard's processing operation, to a company in Kentucky.

"This is the first time we have ever done such a thing," he said. "Basically it reflects Barclays' snccess in offering combined Visa and MasterCard facilities to retailers and the steady rise in volumes of business which has followed this."

Barclays is by far the largest UK issuer of plastic cards, with over 10m domestic credit and debit cardholders. It is also the only bank with a long-established sales team offering credit card services to retailers, because of its role as the first Visa bank in the UK.

All the other banks competing for retailer credit card business have had to build their sales forces up during the past nine months since the banks began to compete with each other in this area.

Other credit card issuers were yesterday sceptical about Barclays' claims of success in winning over retailers.

"What this really shows is that the UK credit card processing industry is not sufficiently well developed to stand the strains it is being placed under," said one banker. "In the US, it is quite routine for excess business to be shifted between card processing firms."

Apart from Barclaycard's own operations, there are only two other principal card processors in the UK - Signet, renamed from the Joint Credit Card Company, which processes Access credit cards, and FDR, a subsidiary of American Express.

Machine tool market holds up

By Nick Garnett

THE UK market for machine tools seems to be holding up better than some observers had predicted, despite recent rises in the cost of capital investment caused by interest rate rises.

But continuing strength in the domestic market will almost certainly help worsen Britain's trade deficit in machine tools, according to latest figures from the Machine Tool Trades Association.

Total machine tool imports in the first six months of this year were worth £246.6m, a jump of 20 per cent over the period last year. Exports were marginally down at £186.6m, compared with £189.6m for the same period in 1988.

The total trade deficit in machine tools last year was £25m, compared with a peak deficit in 1986 of £112m. The last trade surplus, one of £16.5m, was in 1983.

The association estimates that output from UK machine tool makers continues to rise. Production in the first quarter of 1989, the latest figures available, was worth £230m, a rise of 23 per cent on the first quarter of 1988.

It makes the estimate by using Department of Trade and Industry figures, subtracting an element for refurbishment of secondhand machine tools.

Production from UK machine tool factories last year, at £842m, was up 30 per cent on the £644m of 1987.

Business tax change warning

By John Mason

THE national business rate, whicb will be introduced next April, will mean rate rises of more than 50% for one third of all business premises and at least 110,000 job losses, Mr Jack Cunningham, Labour's Environment spokesman, warned yesterday.

Speaking at the Rating and Valuation Association annual conference in Brighton, he said tbe new business rate – the revised, uniform property tax to be introduced in England and Wales alongside a revaluation of premises - would also lead to bankruptcies.

Dr Cunningham said Inland Revenue figures published in July showed that of 1,662,000 business properties in England and Wales:

- 275,000, or 16.5% face increases of over 100%.
- 249,000 or 15% face increases of between 50-100%.
- 443,000 or 26.7% face increase of between 5-50%.
- 107,000 face little change.
- 488,000 will have reductions of between 5-50%.
- 102,000 will see reductions of over 50%.

Mr Cunningham said that a revaluation was long overdue – the last was held in 1973 – but for it to coincide with the new business tax would have a totally unreasonahle impact.

Mr Cunningbam said that the transitional arrangements to protect small businesses were bogus.

He said that they did not cover moving premises after March 31 1990; businesses set up after the introduction of tbe husiness rate could not qualify for protection; the appeals period was restricted to 6 months and assessments could be increased by the valuation tribunals.

CSO expects growth rate to pick up within a year

By Simon Holberton, Economics Staff

GROWTH in the British economy might begin to accelerate this time next year, according to the Central Statistical Office's longer leading indicator of the economy.

The longer leading indicator, which attempts to pick up turning points in the economy a year ahead, is provisionally estimated to have risen last month, reversing the consistent declines since mid-1987.

However, the CSO's two other main cyclical indicators point to flat or declining growth in the months ahead. The shorter leading indicator, which picks up turning points in the economy six months hence, and the coincident index, which moves in line with the business cycle, suggest only sluggish growth.

The CSO notes that since the recession of 1981, UK growth has been "exceptionally stable" compared with previous periods.

For that reason, the peaks and troughs in activity during the 1980s have been less severe.

Since 1981, the trough in the economic cycle has been placed provisionally at August 1986, and the subsequent peak put early in 1988.

Doctors urge Clarke to rethink

By Alan Pike, Social Affairs Correspondent

THE AUTUMN offensive over the Government's proposed health reforms began yesterday, with the British Medical Association producing an opinion poll showing rising public opposition to the plans.

BMA leaders will meet Mr Kenneth Clarke, Health Secretary, tomorrow and urge him to reconsider his idea of budgets for family doctors.

BMA leaders representing all branches of the medical profession will renew pressure on Mr Clarke, at a further meeting next month, to slow the pace of his planned reforms.

The moves take place before the expected introduction of a Bill, in the coming parliamentary session, to enable changes to the National Health Service to take place from 1991.

The BMA poll, conducted by Gallup at the end of last month, shows 73 per cent of voters disapproving of the proposed changes, slightly up on the 71 per cent who disapproved in a similar poll in June. Among Conservative voters, 44 per cent disapproved, while only 34 per cent approved.

Dr John Marks, chairman of the BMA Council, said yesterday the poll showed public opposition to the Government's draft legislation, Working For Patients, as strong as ever, or increasing slightly.

He said the Government had failed to convince the public to support its plans. "The best salesmen in the world cannot sell a flawed package and this is a flawed package."

The poll found that 63 per cent did not believe the proposals would improve efficiency, 67 per cent thought they would result in the cheapest rather than the best treatment, and 75 per cent regarded them as the first stage in privatising the NHS.

Moslems are divided but launch Islamic Party of Britain

Alan Pike examines the origins of the country's newest party and growing calls for religious and political recognition

AT THEIR headquarters in a former industrial huilding in a Birmingham suburb, leading members of Britain's newest political party discuss their philosophy.

"We shall be offering a moral viewpoint which we helieve many people, even if they do not share our faith, will feel able to support," says Abdurrahim Green, youth spokesman of the Islamic Party of Britain.

Like its headquarters, still undergoing conversion and as yet largely unfurnisbed, the Islamic Party of Britain does not look quite ready to challenge estahlished voting patterns. Britain's Moslems are divided over whether it should have been founded at all.

Yet it is an event which the other political parties cannot ignore completely, because it is a symptom of a fast-growing demand for greater political and social recognition which is shared hy the entire Moslem community.

The Islamic Party of Britain will field candidates in parliamentary and local government elections where it decides it is appropriate to do so. It is equally concerned to act as a pressure group on the main parties, lobbying for pledges of greater attention to issues of concern to Moslems.

About half the party's executive body of leading speakers are British-born white converts to Islam. One, Mr Uthman Barry, the environment spokesman, says the party regards this as a sensible strategy when it has to communicate its policies in an atmosphere of distortion and prejudice. "People can't tell us to clear off back where we came from, which is the reaction a lot of Moslems receive when they try to raise issues of concern."

The party has produced a series of short policy documents setting out its initial position on subjects ranging from the future of the National Health Service – which it supports as an excellent example of an institution according with Islamic principles, providing care based on need rather than wealth or influence – to defence and agriculture.

In its founding manifesto, the party says it will not simply confirm the British political system or emulate it, but accept it as a starting point. In addition to defending and advancing the rights of Britain's Moslems, the manifesto says the party will "present a viable political, economic and social alternative to the British people."

Membership will be open to all Moslems, male and female, and anyone who ceases to be a Moslem will cease to be a member. The leaders say the party will be financed from members' subscriptions.

Mr Abdurrahim Green says talks about the possible foundation of a political party for Moslems have taken place intermittently over many years – the Islamic Party is not simply a result of the furore over novelist Salman Rushdie's book The Satanic Verses, which caused deep offence to Britain's Moslems and left many feeling powerless within the political system. He accepts that there have been differences over the formation of the party, but says majority Moslem opinion favours it.

This view is not shared a few miles across the city at the Birmingham Islamic Centre where Mr Maulana Abdur Rahim, the centre's director and president, opposes formation of the party. A £1m development programme taking place at the centre, which houses a mosque, boys' secondary school and cultural centre, testifies to the strength of Islam in modern Birmingham, where there are some 100,000 Moslems.

"I do not believe integration or the needs of British Moslems will be best served by separate parties. We are British and have to operate through the existing parties. There are several Moslem members of Birmingham City Council and eventually there will be Moslem MPs elected on behalf of the main parties. This is the way forward."

Mr Abdur Rahim is chairman of the co-ordinating board of Birmingham's Moslem organisations. He says his colleagues on the board, and the communities they represent, share the view that a separate political party is a mistake.

But his opposition to the formation of the Islamic Party does not mean he is satisfied with the treatment of the Moslem community within the British political structure. The continuing outcry over The Satanic Verses, published a year ago this week, relatively poor housing in the inner cities, disproportionately high unemployment and single-sex education are all issues of immediate concern.

On a broader level than the Rushdie uproar, with its implications for blasphemy law – which applies at present in Britain only to Christianity – is a delicate question about the overall relationship between British law and Moslem personal law, which diverge on issues such as divorce, marriage and inheritence.

"A British court can divorce a woman, and she finds that she is not considered divorced by her husband under Islamic law," says Mr Abdur Rahim. "We are trying to resolve severe social problems which this is causing for hundreds of families."

The Government has shown itself determined not to consider resolving such problems by allowing Britain's Moslems to run a separate social system within a looser framework of national law, as some of the community's leaders might like.

In the summer, Mr John Patten, the Home Office Minister responsible for race relations, wrote to Moslem leaders emphasising that while Britain offered plenty of room for diversity and variety, there was no room for separation or segregation.

He said that no religious or racial group should be expected to forfeit its faith or roots, but between all groups there must be the shared link of "being settled in Britain.

Britain's Moslems, awakened to political protest and united by the Rushdie affair, are debating these questions and not always coming to the same conclusions as ministers. The Islamic Party of Britain, whatever strength it proves to have, is a sign that the Moslem community's concerns are moving onto a wider, national agenda.

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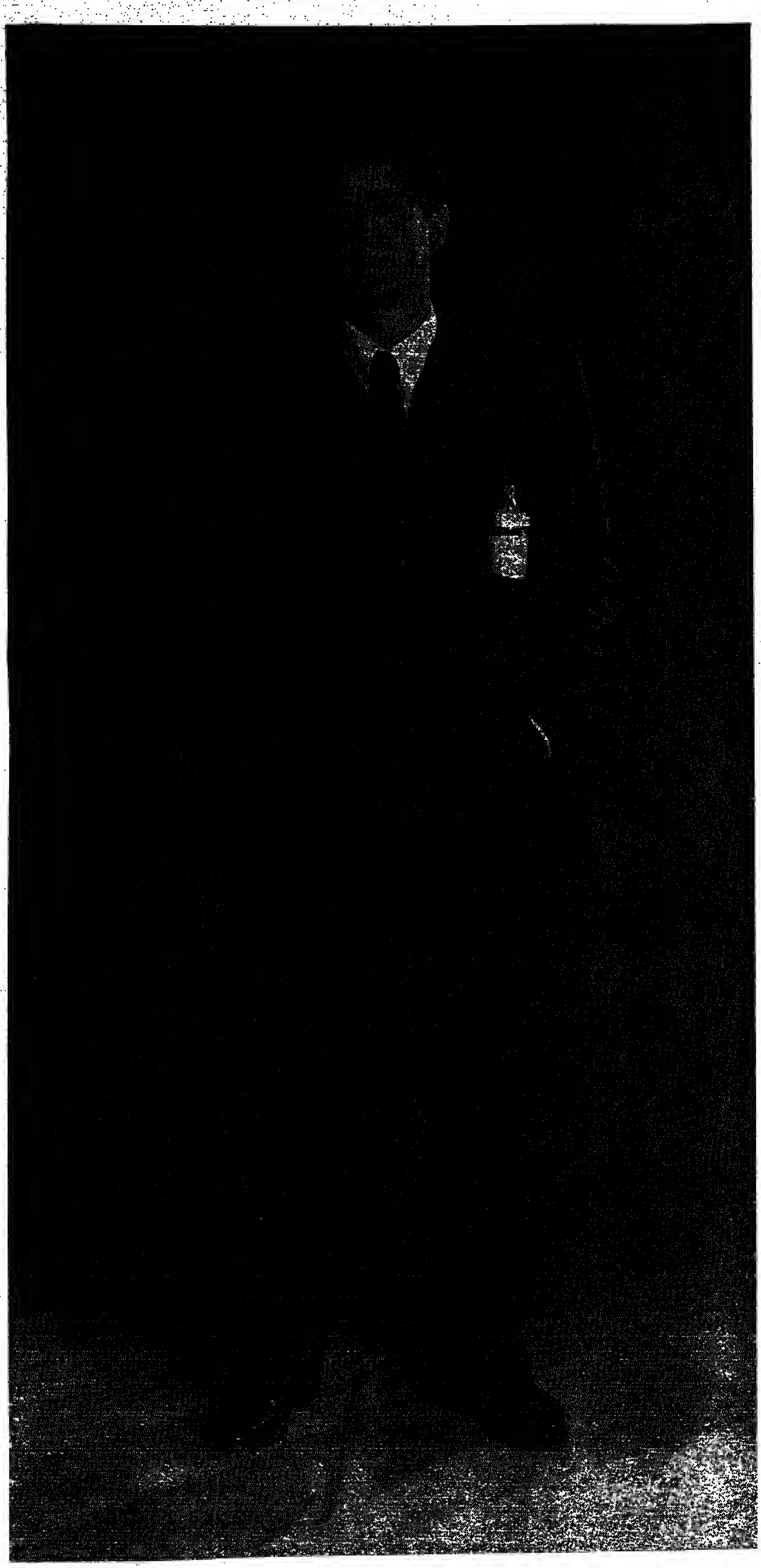

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UK NEWS

Surveyors to merge with French property group

By **Paul Cheeseright**, Property Correspondent

EDWARD ERDMAN, the London chartered surveyor, is to merge witb Auguste-Thouard of Paris, the largest firm of property advisers in France.

This is the first full-scale merger planned by a British chartered surveyor with a firm in continental Europe.

It is a further step in the realignment of British chartered surveyors in the face of increased competition from the financial sector and the expected increase in business resulting from the lowering of Europe's trade barriers.

Immediately Erdman and Auguste-Thouard exchange 15 per cent of each other's equity and each will appoint two directors to the other's board. A joint name will be adopted next year and the merger will be completed in three years.

Erdman, in chartered surveying terms, is a medium-sized London firm with a staff of 400 and is probably best known for its retail property work. Established 55 years ago, it has branches in Leeds and Glasgow. Auguste-Thouard has a staff of 500 in 22 branch offices throughout France and offices in Madrid and New York.

The merged company will be one of the largest property consultancies in Europe, according to Erdman yesterday. The combined revenue of the companies this year is about £55m.

British chartered surveyors have long been active in continental Europe. The larger firms such as Jones Lang Wootton, Healey & Baker, Weatherall Green & Smith and Knight Frank & Rutley have branches in the main centres.

Others have formed associations with foreign firms – Debenham Tewson & Chinnocks has links in West Germany and the Netherlands, while earlier this month de Morgan Group linked up with a Luxembourg firm.

Generally there has been an increase in European activity as part of a wider search for expansion overseas by British chartered surveyors – hence acquisitions by Drivers Jonas in Canada and Hillier Parker in Hong Kong.

Erdman's move is designed to provide it with a European market and secure its corporate future. There has been a spate of mergers and acquisitions among British chartered surveyors since 1985, when if became legal for them to take in outside capital. At the same time their position as property advisers has been under threat from finance houses establishing their own property arms.

Erdman and Auguste-Thouard will start their merger by setting np a subsidiary in Barcelona.

Chemical groups discuss UK waste site

By **Peter Marsh** in Geneva

MONSANTO and Ciba-Geigy, two big chemicals companies, have held informal talks on building a waste treatment incinerator in Britain to destroy hazardous chemical residnes from their UK plants.

The talks on the incinerator, the planning of which is still at an early stage, illustrate the financial and technical problems for many large chemicals groups in dealing with solid and liquid waste.

It is believed that US-owned Monsanto and Swiss-based Ciba-Geigy may be unwilling to push their plans further because of widespread public disquiet about the safety of chemical incinerators.

However, the two companies are anxious to explore the project as a way of tackling long-term problems about securing adequate waste disposal.

UK plants run by Monsanto and Ciba-Geigy at present dispose of some more hazardous residnes by transporting them to high temperature incinerators in Britain run by contractors such as Eechem and Cleanaway.

However, demand for the services by UK chemicals companies is high, meaning contractors can charge high prices. Also, many chemicals groups are attracted by the idea of dealing with waste themselves rather than transporting ito outside groups.

The industry believes that disposing of residnes internally provides better guarantees over technical reliability and also minimises safety problems.

Possible sites for a new joint-venture incinerator in Britain run by the two companies could either be in South Wales – near the Newport plant operated by Monsanto – or near Grimsby, on the north east coast, close to a large Ciba-Geigy factory.

The chemical industry believes that high temperature incineration is safe, providing high technical standards are adhered to. But both Monsanto and Ciba-Geigy realise they might have problems gaining planning permission for a plant, the likely cost of which would be about £10m.

Rubber group restructures manufacturing

LONDON International Group, the maker of Durex condoms, has announced plans to restructure its international manufacturing operations.

Manufacturing will cease in its smaller plants in West Germany, the Netherlands and New Jersey in the US. Condom manufacturing will be concentrated in Chingford in the UK, Bologna in Italy, Barcelona in Spain and South Carolina in the US.

The restructuring, which will be completed by the middle of next year, will make about 200 jobs redundant.

● Storehouse, the retail group headed by Sir Terence Conran, has set up Habitat International to manage its Habitat brand worldwide.

Habitat International will direct and co-ordinate the marketing, range planning and buying operations for the more than 100 shops around the world.

Habitat plans to open a shop in Barcelona next month. Franchisees operate Habitat shops in other countries.

House prices show patches of firmness

By **Andrew Taylor**, Construction Correspondent

STATIC prices and housing chains, where property sales are linked to house buyers' own ability to sell, were beginning to affect many areas of northern England, but some house buyers were starting to return to the market in hard-hit parts of south-east England, according to a survey pnblished yesterday of estate agents in England and Wales.

London's market remained depressed. Agents there said buyers were still forcing down prices. Some people were selling their homes and renting to await a bargain buy.

The monthly survey by the Royal Institution of Chartered Surveyors, asked more than 100 agents how prices had moved during the three months to the end of August.

More than half said prices had fallen; another third said prices were static. Less than 15 per cent said prices had risen.

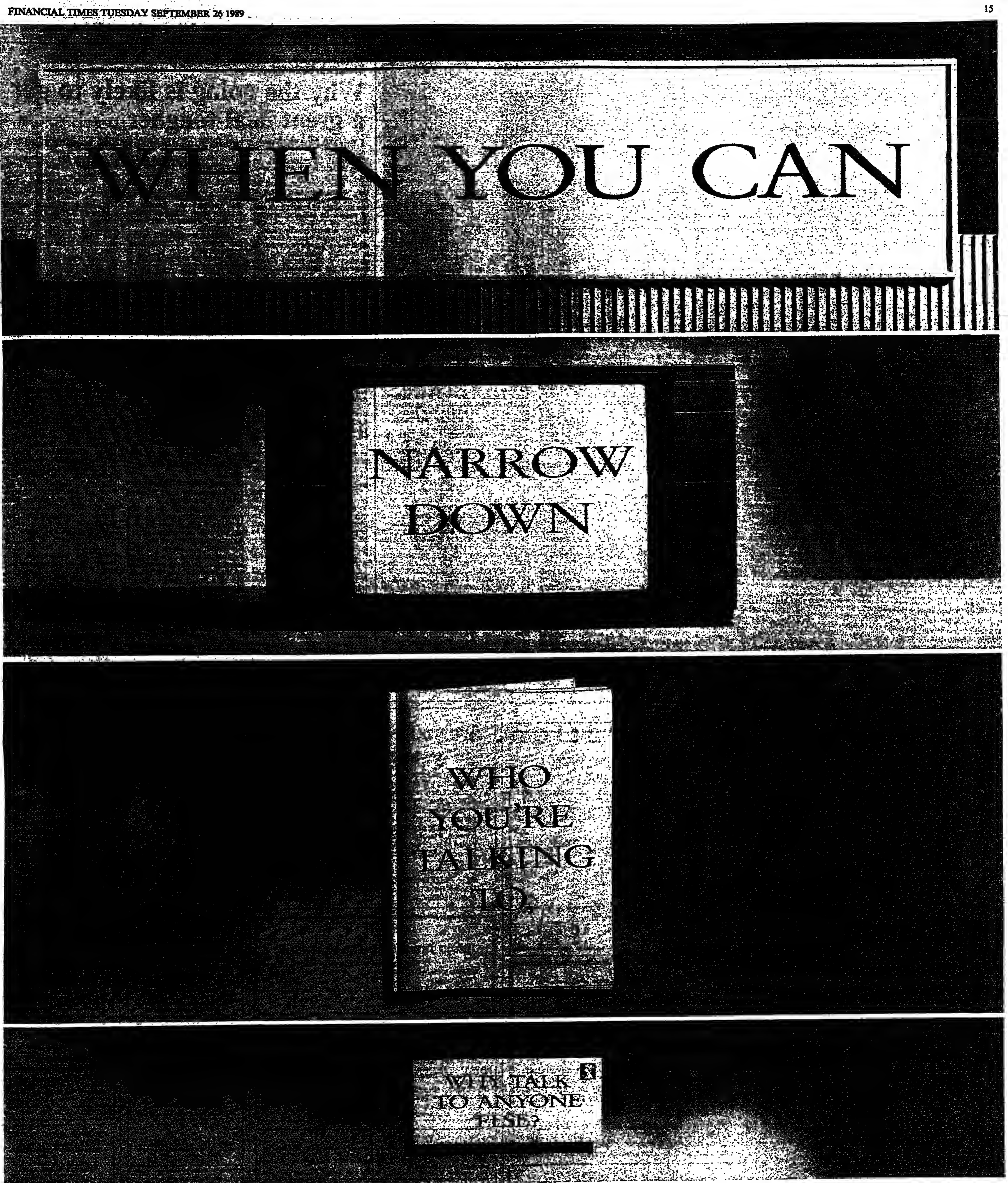
The institution drew some consolation from a higher level of activity in East Anglia and parts of south-east England. Some properties were selling for figures similar to those achieved in the early part of 1988. Sales in both regions remained depressed.

The institution said higher activity in East Anglia was dne to dramatic price falls during the first six months of this year, which had encouraged some first-time buyers back into the market. First-time buyers had also emerged in parts of south-east England.

Midlands sellers were reducing prices by 10 per cent to 15 per cent to encourage buyers, said the institution.

A survey of agents in Yorkshire and Humberside showed almost two thirds of agents had reported static prices, another fifth said prices had fallen in the period.

The fall in the market was due to high mortgage interest rates; summer holidays and the cessation of affluent buyers moving to the region from southern England.



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Soviet markets

An appetite for joint ventures

By Hester Thomas

When in 1987 the design and marketing group, Pencil, created a new corporate identity for the British-Soviet Chamber of Commerce, its managing director Martin Nunn had no idea that what for him was a one-off project would rapidly lead to work with clients in the Soviet Union.

He estimates that Soviet contracts now account for 60 per cent of the company's work.

Pencil, a nine year-old London-based company, employs 20 people and has an expected turnover in 1989 of over £1m. It is now in the process of forming a joint venture design and marketing company with Mortechinformreklama, the advertising division of the Soviet ministry of merchant marine and the country's third largest advertising agency.

The Soviet Union is restructuring its economy, devolving economic decision making awsy from central government agencies and allowing individual enterprises greater autonomy. Those enterprises which believe they can enhance their venture with the assistance of Western help are being encouraged to do so.

Priority areas inclnde agro-industrial complexes, high technology, the pulp and paper industry and light industry such as clothing and shoes.

Joint ventures are not the preserve of the large conglomerates; small companies have also become involved. January 1989 saw the registration of Parallel – a joint venture between computer software company Autodesk and Infograf, a production/scientific co-operative under Gosstroy, the Soviet State Committee on Construction.

Autodesk employs 55 people and had a turnover in 1988 of £6m. Parallel will distribute Autodesk's and its own software in the Soviet Union and will develop and prodnce programmes for sale there and in the West.

Cambridge-based Sands Technology was formed in 1986, employs five people and had a turnover in 1988 of £250,000. It designs and subcontracts the manufacture of low cost multi-purpose bench-top industrial robots. Its joint venture, Ural ST, with the Scientific and Engineering Centre in Sverdlovsk, was registered in March 1989. It was formed to manufacture Sands Technology robots under licence and sell them in Comecon countries.

The attraction of the Soviet Union to Western companies centres on its potential – an untapped market of 286m consumers. However, since the rouble is unconvertible and hard currency is limited, many Western companies are discouraged by the difficulties of finding acceptable methods of payment. Neither Pencil nor Sands Technology had ever considered the Soviet Union as an obvious target market for their services and products.

Pencil was persuaded to do so after an approach by Orbital Services, a British company which had seen Pencil's work for the Britisb-Soviet Chamber of Commerce and was looking for suitable companies to introduce to Mortechinformreklama.

Sands Technology was approached by its eventual joint partner following a recommendation to the Scientific and Engineering Centre from Dinamika. This, the first Anglo-Soviet joint venture company, is concentrating initially on marketing programmes in the West and had seen Sands' work in the UK. David Sands, managing director, was at first sceptical. "We're s small operation and going international seemed like we were trying to run before we could walk."

He was, however, persuaded to consider the potential venture seriously when he learned that it employed Professor Gurin, head of engineering at the Polytechnic of the Urals. Autodesk perceived potential for its products in the Soviet Union after receiving speculative letters of interest from Soviet enterprises operating in similar fields.

The company made an exploratory visit in 1986, attending a trade exhibition. An approach from the Research Institute of Gosstroy led to Antodesk setting up a training centre in Moscow on a non-commercial basis in the hope that this would lead to greater things. When some of the centre's staff left to form Infograf they suggested a joint venture with Autodesk.

There are profound differences in culture and business philosophy between the two nations. Martin Nunn points out that marketing has had no place in Soviet business, yet Mortechinformreklama was keen to learn about it and apply it. "The hardest thing was for us to find a common vocabulary on business and design and a common understanding of that vocabulary," he says.

Sands Technology, which has a 20 per cent share of Ural ST, its joint venture company with the Scientific and Engineering Centre, discovered its partners had a different understanding of capital. "We had to convince them that the designs which we were putting into the company were worth money," explains David Sands. "They thought we had to do 20 per cent of the ongoing work. Wa eventually convinced them that our designs represented 20 per cent of the work."

David Sands: selling desk-top robots to Comecon countries

Differences in language can also cause problems. Richard Handiside, managing director of Autodesk, believes it is important not to rely totally on the Soviets speaking English and to understand, among other things, Russian asides. He now speaks some Russian and employs two Russian-speaking administrative personnel in the UK.

Day-to-day practicalities of doing business in the Soviet Union require time and patience. Communications are a major problem. Local and international phone lines are overloaded and it can take repeated attempts to make a call or send a fax. Organising flight, rail and hotel reservations is difficult and expensive.

The Soviets like to build up personal relationships with face-to-face meetings. However, Sands advises: "Try and resist it. Ask yourself, is the meeting really necessary?" He has been to two meetings. Handiside spends an average of three days a month in the Soviet Union and Nunn spends a week there.

All three joint ventures involve the UK partner supplying expertise, designs and compnter equipment with the Soviet partner providing expertise, people and buildings. Autodesk estimates that it has made a capital investment of £100,000 in its venture from the company's own resources.

Sands Technology has spent just £5,000 setting up the venture: on solicitors' fees and, at £90, the cheapest return flight to Moscow. No capital has been injected. Pencil is still negotiating its terms. However, Nunn estimates that he has spent £50,000 from the company's own reserves over the past 18 months on air fares and hotels – a hefty sum but one which he believes will be worthwhile in the long term. He estimates that within two years the venture could be turning over "a six or seven figure sterling sum."

Sands Technology found that the DTI's Soviet desk and the British Embassy in Moscow gave helpful advice on exporting and visas. Nunn recommends getting the best professional advice available.

Both Pencil and Autodesk appointed the solicitors Baker and McKenzie, with offices in London and Moscow, to handle their affairs. "Yon can't just waltz in and sign a contract on the spot. It's a long term business," says Handiside.

Companies can also do things to increase their chances of success. Nunn believes he won goodwill by employing a Russian to give the first presentation. Handiside believes the Soviets recognised his company's commitment to a potential Soviet venture when he set up the training centre. All three companies are sanguine about the future. Autodesk claims its venture is profitable.

Says Handiside: "I expect a hard currency turnover of between £250,000 to £500,000 and a soft currency turnover of five million roubles this year." The profits, both hard and soft currency, are split 51 per cent Autodesk: 49 per cent Infograf – in accordance with each partner's share of the venture. Meanwhile, Sands Technology expects to receive royalty payments of £20,000 this year, of which half will be profit.

Enterprise in the year 2000

Why the going is likely to get a great deal tougher

Charles Batchelor on predictions about the UK trading climate

Small businesses in Britain will have more of a fight for survival in the 1990s than they have had in the present decade. After a period of rapid expansion in the numbers of small firms and of people in self-employment during the 1980s the world will become a more hostile place.

These were among the conclusions of papers presented at a two-day workshop on tha subject of The Small Enterprise in the Year 2000 held last week by the Small Business Research Unit of Kingston Polytechnic. Researchers looked at employment in small firms; the position of women and the ethnic minorities; the prospects for high-technology firms; and the role of the banks over the next decade.

The outlook is not entirely gloomy and small firms have shown great resilience in the past but, on balance, life will get tougher, according to James Curran, head of Kingston Polytechnic's small business unit.

Small firms will suffer more than large from the expected decline in the numbers of young people entering the labour market. In addition, any rise in the numbers staying on in further education will compound the problems because small firms have tended in the past to recruit people straight from school.

This may force small firms to recruit older workers who will expect higher wages, Curran said. There will also be increasing competition from large companies which tend to be more innovative, introducing, for example, crèches and fostering close links with schools and colleges.

Government help for small firms may also decline, Curran warned. There are already some indications that small firms are less central to the government's economic policies and this type of assistance may not continue.

Much small firms' growth in the 1980s has come from a shift in economic activity from manufacturing to services. But the services sector is expected to grow more slowly in future while competition from large companies may increase.

The severe tightening of the labour market in the 1990s and the continuing reduction in unemployment levels are expected to reduce the number of new firms which are set up and restrict the growth of existing small firms, according to Steve Johnson of Leeds Polytechnic.

Labour shortages will reduce the numbers of "marginal" workers who form an important part of the small firms workforce and of specialist managers and professional staff essential for expansion.

The impact of this is likely to be a slight net decline in the numbers of new firms registering for VAT in the period up to 1995. Under this gloomy scenario nearly 190,000 new firms would be registered each year but their numbers would be more than compensated for by the numbers going out of business. The total stock of VAT-registered businesses would fall marginally from 1.6m in 1989 to 1.59m in 1995.

'A national policy of promoting high-technology firms, on the lines of Japan's support for industry, is required if Britain is to make the best use of its innovative small firms sector'

Businesses owned by tha ethnic minorities are expected to make a larger contribution to the UK economy partly because of the relative youth of the ethnic population but also because of signs of a growing interest in business ownership on the part of young black people, said Robin Ward of Trent Polytechnic.

Second generation immigrants are acquiring technical and professional skills but may still find self-employment attractive as a way of overcoming social discrimination. However, black and Asian entrepreneurs who have built up businesses by specialising on ethnic niche markets must expect tougher competition from their own ethnic groups.

Labour shortages are likely to increase the opportunities for women though they suffer a number of disadvantages, said Sheila Allen and Carole Truman of Bradford University.

A lack of domestic support makes it difficult for many women to go into business; subsidies for manufacturing and high-technology companies are of little use to women who tend not to choose these sectors; while women need to be more actively targeted by agencies such as the enterprise agencies.

A call for more help for Britain's small high-technology firms was made by Ray Oakey of Heriot-Watt University. These firms tend to depend on their own resources for research and development funds; are poor at marketing; and succumb to take-over offers from larger companies before they grow to any size, he said.

A national policy of promoting high-technology firms, on the lines of Japan's support for industry, is required if Britain is to make the best use of its innovative small firms sector, Oakey suggested.

The troubled relationship between small firms and the banks is unlikely to improve by the year 2000, according to Martin Binks of of Nottingham University. The banks will attempt to improve their service by specifying charges more clearly and paring interest charges but the relationship between banks and their small business customers is unlikely to get any closer.

The banks are too tradition-bound and are led by senior personnel who made their careers before current competitive conditions developed, Binks said. The banks will have great difficulty in moving away from the system of asset-based lending towards one of evaluating businesses on their future prospects. This will discourage small firms from borrowing to finance investments.

Unless the British banks can change, their small firm customers will be at a disadvantage compared with their Continental competitors funded by more accommodating banks, Binks warned.

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TECHNOLOGY

Eagle eye

With its own mix of Hollywood glitz and Silicon Valley pizzazz, Apple Computer staged the debut of the latest additions to its Macintosh personal computer line in California last week.

The new Macintosh Portable played the star turn in a two-hour extravaganza complete with lasers, smoke, video and booming rock music, before an audience of close to 5,000 right next door to Hollywood's Universal Studios.

Like Ghostbusters II, however, this Apple event owed much to previous productions. The new release is designed to cash in on the success of earlier versions of the Macintosh. What is more, it is at least a year late in making its appearance.

New Apple that tastes of a previous crop

Louise Kehoe assesses the impact of the Macintosh Portable on a fast-growing segment of the PC market

Apple has been talking about launching a portable computer for as long as most industry watchers can remember. Years of prevarication and several aborted product development projects culminated in a two and a half year effort that has finally yielded this portable version of the Macintosh.

What held Apple back, until now, was its dissatisfaction with the quality of flat panel display technology. A high contrast, fast response display was essential to present the graphical user interface that has become a trademark of Apple computers.

Jean-Louis Gassée, president of Apple Products, explains: "On a standard passive liquid crystal display you would see shadows and tails behind the cursor as the mouse moved it across the screen."

Apple's solution is a new type of "active matrix" liquid crystal display in which each of the 256,000 elements, or pixels, is directly controlled by a transistor on the backplane. In effect, the display is an enormous semiconductor chip that is extraordinarily difficult to make. Only a few display manufacturers, most of them in Japan, have attempted the task.

The risks involved in using this largely unproven technology worry Apple analysts. They fear that the company may face supply problems which will limit production. Apple rebuffs such suggestions. "We are highly confident that our supply will be adequate to meet our forecasts," responds Gassée, although he will not reveal what these forecasts are.

There is no question, however, that the active matrix display represents a big improvement over standard flat panel displays. "The screen is the best I have seen on a lap-top. It can be viewed not only head on but also from either side. It is bright and very easy on the eyes," comments Jonathan Seybold, an industry analyst.

Apple has also broken new ground in the important area of battery life. The portable Mac will run for an average of 10 hours on its lead-acid cell, compared with the two to four hour battery life of most portables.

Other features of the Macintosh Portable are less innovative, and less impressive. The machine weighs in at 15.7 lbs when fully loaded with a 40 megabyte hard disk drive and a single floppy drive.

Add a spare battery, a battery charger and a modem and the scales will tip close to 20 lbs, making the portable Mac almost as heavy as the original Macintosh, which was itself touted as a "transportable" computer at its introduction five years ago.

Although Apple executives might concede that they wished the Portable were lighter, they are adamant that weight is not the critical factor among potential customers.

"The number one issue is compatibility," says Gassée. Apple did extensive market research – more than for any of its other products – to determine what features to include in the portable Mac, he says. Over and over, they heard that potential customers wanted a portable machine that worked in exactly the same way as their desk-top version.

If so, then Macintosh users will be delighted with the Portable, because it is indeed a replica of a desk-top Apple Mac, packaged for carrying around. It seems unlikely, however, that the portable Mac will be chosen by many who are not already Macintosh fans.

Also giving pause for thought among potential Apple customers is the price – almost $7,000 for a fully loaded system.

With the introduction of its Macintosh Portable, Apple enters the fastest growing segment of the personal computer (PC) business. With 1988 sales of $2.3bn, the portable market is projected to grow to $12bn by 1993, according to Dataquest market analysts.

The portable PC market is also shaping up to become one of the most competitive. Currently the field is dominated by Zenith and Toshiba, which together hold 44 per cent of the world market. Grid Systems, now owned by Tandy, runs a strong third with a 10 to 12 per cent share, according to Dataquest.

Three distinct segments can be identified. First there is the "traditional portables" – fully functional "compatible" machines such as Compaq's latest portable, the Zenith Supersport or the new Macintosh Portable.

Then there are the "lap-tops", the slimmed down PCs that fit on an aircraft tray table. The latest examples of these include the NEC UltraLite and Zenith's Minisport. Weighing less than 6 lbs, these are truly portable but give up some of the conveniences of the desk-top to achieve that goal.

A third category of "pocket-sized" computers has begun to emerge. The recently launched 1 lb Poqet Computer and Atari's Portfolio are setting the pace.

Atari began shipments of its Portfolio in the US this month, sparking competition with the Poqet Computer. Atari wins on price – $400 – but its use of an "MS-Dos-like" operating system means that software developers must adapt their applications programs before they can run on the Portfolio. Atari says that as many as 200 software developers are working on versions of programs for the Portfolio, but it will not name names.

In contrast, the Poqet computer is fully IBM-compatible. It also includes several features that the Portfolio lacks – a larger screen with 21 rather than eight lines of text, a slightly bigger keyboard, two instead of one card drive, more memory, a modem, and serial and parallel ports. The price, however, is $2,000.

Yet to emerge in the portable PC market is a product that will kick sales into high gear. Despite manufacturers claims to the contrary, portable buyers are still being forced to make compromises – in terms of how much weight they are prepared to lug about, or the computer features they can live without, or the premium they are prepared to pay for portability. The first manufacturer to come up with the right combination of features will be a big winner.

While Apple was seeking the limelight down in Hollywood, former Apple chairman and computer entrepreneur extraordinaire Steve Jobs was capturing attention in San Francisco. Just by coincidence, of course, Apple's event overlapped with Jobs's announcement that Next Inc has finished debugging the operating system for its highly touted compoter workstation and has begun shipments to retail outlets.

Overshadowing both publicity stunts, however, was the development of a new standards row in the PC industry. The drama began on the eve of the Macintosh event when Apple executives joined a group from Microsoft, the leading software developer, to announce a technology exchange agreement aimed at creating a new industry standard for the way text is displayed on computer screens and put on to paper by laser printers.

That Apple and Microsoft should agree on anything was surprising enough, given that the companies are currently feuding over allegations of copyright infringement. But that they should agree to share technologies that will create some measure of compatibility between the Apple Computer and IBM-compatible worlds is extraordinary.

Under the terms of the agreement, Microsoft will license Apple's recently announced "outline font technology" for inclusion in future versions of OS/2, the operating system it is developing for IBM-compatible PCs. In return, Apple will license Microsoft's new printer software for new versions of its laser printers. Both sets of programs will use the Apple font format.

At issue is the method that computers use to display text. An ootline font is a mathematical description of the size and shape of text displayed on the computer screen. It enables a computer to display text in several different typefaces and sizes.

Current versions of the Macintosh use a different approach to achieve the same goal – a "bit map" of each letter or character, in each of a set of typefaces and sizes is individually stored. But this takes up a lot of memory and is less flexible.

Already, Apple's laser printers incorporate "outline font" software called PostScript, purchased from Adobe Systems. Adobe offers Display PostScript for computer screens, bnt Apple has decided to go its own way, rejecting Adobe and announcing plans to phase out its use of PostScript for printers.

News of the Apple-Microsoft alliance came as a blow to Adobe Systems, which has dominated the field since it introduced PostScript in 1984, sparking a boom in desk-top publishing. Adobe's sales rocketed from just $2.2m in 1984 to $83.5m in fiscal 1988.

Adobe and its supporters see the Apple-Microsoft agreement as a plot to usurp PostScript, rather than an attempt to establish an industry standard.

Striking back at the Apple-Microsoft threat, Adobe announced the following day that it would open up its proprietary font technology so that anybody could use it without paying licence fees. Adobe executives argued that the company's technology was already a de facto standard throughout the PC industry.

John Warnock, chairman of Adobe, derided the Apple-Microsoft announcement as "the biggest bunch of garbage and mumbo jumbo I've ever heard in my life." Apple's vague plans for new software amounted to "vapourware" that could jeopardise an existing standard, he charged.

Bill Gates, of Microsoft, responded by saying that the play was to improve upon PostScript. Some competition in font technology would spark innovation, be claimed.

Weighing in on the side of Adobe, however, Steve Jobs, chairman of Next Inc, portrayed Apple and Microsoft as bullies. "There's no new technology bere," Jobs argued. The agreemeot, he suggested, came about because Apple "made a big mistake" in deciding not to use Adobe's font technology in the future. Next Inc is already committed to using Adobe font technology on its computers.

What all of this means for computer users is that perhaps, at some point in the future, IBM-compatible and Apple PCs may be able to display, exchange and print out documents that look identical. If you are in the pnblishing or graphic art business, that is important. It would also make life easier for companies that have both types of computer connected to a local area network.

When this will happen is unclear, bowever. Apple executives describe the agreement as "important in the long term." Industry analysts do not expect any products to result from the Apple-Microsoft agreement for at least a year.

Bell rolls up with a clean power source

A material which could help to generate clean power has been developed by Bell Communications Research (Bellcore). The US concern announced the discovery at an international symposium on fuel cells, at the Royal Institution in London last week.

A conventional fuel cell gives off energy by combining hydrogen and oxygen, generating electricity from gas. The new "chemo-electric" device is based on the same principle (and also provides 1 volt per cell), but applies it in a new way.

The material is one quarter of a micron (millionth of a metre) thick. It consists of an ion-conducting and gas-permeable membrane sandwiched between layers of electrodes and laid on a substrate. To make a device, the material would be rolled into a spiral and a positive charge fed to the substrate and a negative charge to the gas-exposed electrode.

The discovery was made by accident. "It dropped out of work to develop solid state batteries of submicron dimensions to power integrated circuits," says Christopher Dyer of Bellcore, which conducts long-term research for the seven Bell regional telephone companies. It has been looking at ways of powering fibre-optic networks, handheld telephones and computer systems.

The new material, which is projected to generate between one and 10 watts per cu in, could run a telephone for several hours with a small amount of methanol. This would give it an energy density several times greater than existing batteries. Its energy potential can be doubled by coating both sides of the substrate with a fuel cell, which would give at least 10,000 hours of use. Whereas batteries contain toxic elements, the catalyst used by the new material is non-polluting.

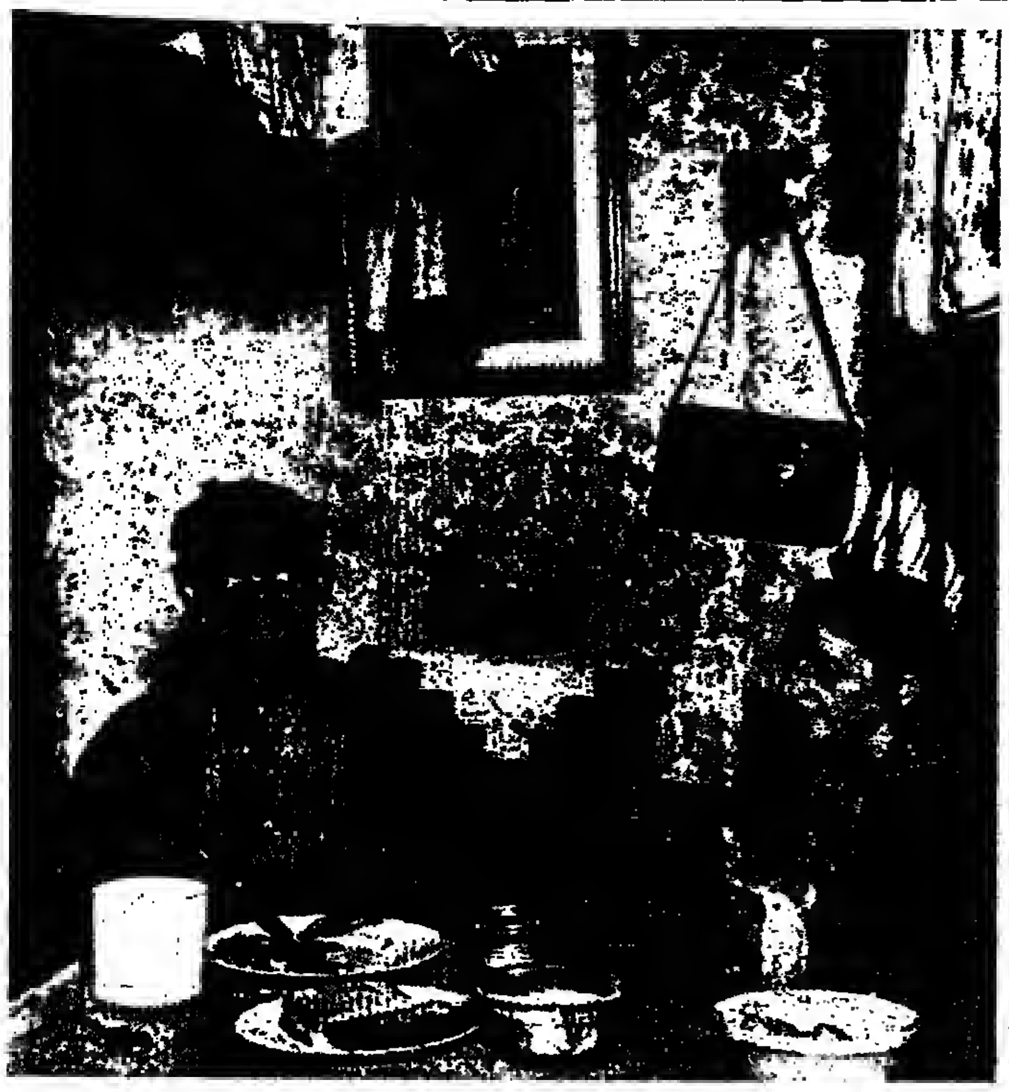
Another application is likely to be in information processing. The material is the same thickness as an integrated circuit and so could be used for the gas powering of circuitry. It has potential as a standby power source because it operates at room temperature.

Bellcore is also looking at the electric vehicle market and at domestic use, where up to 10 kilowatts could be generated in addition to heating and water through the hydrogen-oxygen reaction.

The US Patent Office has indicated that it will grant the company a full device patent.

Alastair Guild

ARTS



Northumbrian miner at his evening meal, by Bill Brandt, 1937

At the press of a button

William Packer reviews the Art of Photography exhibition at the Royal Academy

This year marks the 150th anniversary of what is generally accepted as the invention, more or less coincidental in England, France and Scotland, of Photography as a practical technical process. Of the inevitable clutch of celebratory exhibitions, *The Art of Photography 1839-1989*, at the Royal Academy (Burlington House W1, until December 23, sponsored by Logica, The Midland Bank and The Independent) is both the most notable and, to some of my colleagues, evidently the most irritating.

The difficulty rests in the title, with its unequivocal claim for the medium as high Art. Yet again, it seems, we must rehearse the old arguments.

What sticks in some critical throats is photography's undeniable dependence upon the camera, a mere mechanism with a button that anyone may press. Indeed anyone and everyone does press it, but it is a case of some snapshots being snappier than others. Then, once snapped, mere chemistry takes over the process of the image.

But we should remember that all visual art is material, and must be made somehow. A camera in essence is no more and no less a tool than a pencil, brush or chisel. Ah, but such tools sit in the hand and make their mark direct. Surely Art is validated only by the artist's authentic touch? It is not, and never has been, necessarily so. Architecture never enjoyed that requirement, or it would never have aspired beyond the mud hut. And what of all those artists whose ample scale and prolific output could only be sustained by the use of assistants – Rubens, Veronese, Rodin, Moore?

There is, in short, no reason why the photographer should be any less the artist than the painter or sculptor, for the art rests not in the chosen medium but in the critical quality of the work within it. And it is a nice paradox that the limited and cumbersome equipment of the great pioneers of photography, far from qualifying and impairing such fine judgement, if anything enhanced it.

The image to be fixed on their glass plates, so tedious to prepare, had to be chosen and contrived with the greatest care, the camera mounted, exposure set and the world asked to hold its breath and keep still. These breathless, timeless images speak to us now across a century and a half of a world at once deeply familiar yet poignantly remote, the moment fixed yet lost forever.

Fox Talbot's ladder casts its sharp shadow across a haystack of a type familiar even 30 years ago. Mrs Johnstone, Hill's and Adamson's Newhaven fishwife, sits as calm and self-possessed in the sunshine as any dowager. Baldus' water-mill at Enghien, with its trees reflected in its mirror-pond; Régnault's deserted river-bank at Sèvres; Fenton's Long Walk in Windsor Great Park, with its ancient elm avenue that stood into the 1940s; Watkins' magnificent panorama of Yosemite; Nadar's celebrities with their calm regard – we confront each image to be brought up short, shocked by a quality of definition, immediacy and authority.

The invitation is to the imagination: here a path we might tread, a hand we might shake, a door we might enter. Fenton's door at Lichfield Cathedral swings ajar, a shadowy figure half visible within, as it might be any tourist, anywhen.

But none of this is to say that practice should be difficult for the photographer, and that art goes out as convenience comes in. One of the most memorable images comes at the very end, in the penultimate section, given to images of war and violence. The American, Eugene Smith, followed the war in the Pacific, and his picture from Saipan, of a soldier drinking from his flask, could hardly be simpler. It may have been spontaneous or as contrived as anything of Julia Cameron or Nadar, but no matter. Close-up in profile, another, opposite profile behind and a rifle to give the diagonal, nothing more, the image achieves the grandeur of the archetypal and universal, the battle-weary soldier as expressive as any one of Rodin's burghers.

This is admittedly a large exhibition and in consequence demanding of time and attention. But it is set out with an admirable clarity and is beautifully chosen. No attempt has been made to represent every major photographer. Instead, categories have been established to give the general and various development of photography, with the chosen photographers shown in some depth. The story unfolds from the Pencil of Nature of the pioneers, the 19th Century Portrait, Travel, the Pictorial Effect of symbolism and impressionism, the Modernist experiments with constructivism and surrealism, European and American documentary, and so up to the present, with diversions into fashion and war.

A final, irrelevant digression into the appropriation of photography by artists of other disciplines, rounds it off with a whimper, for it is a subject so big in itself as to require, and deserve, quite as a large a study. The hefty catalogue, published by Yale at £19.95, is a bargain.

LSO, Academy

BARBICAN & FESTIVAL HALLS

The performance of the Brahms Double Concerto at the Barbican on Sunday was the opposite of a gramophone record: not seamlessly smooth, not bland. The soloists were two distinguished veterans, Josef Suk and Paul Tortelier; their playing styles do not tally exactly, and in the case of the cellist the instrumental sound is no longer projected with unfailing power or accuracy of intonation (Suk's violin, by contrast, retains all its shining purity of tone and manner).

It was, nevertheless, a Double Concerto of exceptional excitement. There was a sense of striving, of working toward unity of thought and purpose, in the mixture that provided much of the urgency – too streamlined a matching or blending of melodic lines can take the grit out of Brahms's inspiration. The dance-like lift that both players, and the London Symphony Orchestra under Michael Tilson Thomas, brought to the finale suggested a newfound ease of partnership, at exactly the place called for in the musical discourse. "Perfection," in the Karajan sense, was not essayed or attained – and, I should say, not missed.

This concert was the second in Tilson Thomas's current Brahms series. He finds a way of illuminating detail that indicates a vivid personal response to the composer; the orchestra's strong outlining of the *Tragic Overture* at the start of the concert, with special attention to the quieter pages, was not at all the routine approach. The second half was filled – slightly overfilled, given the length of the first half – with the first orchestral Serenade, Op.11, also rich in appreciative responses and unsleepy rhythms (the gentle lilt of the two minuets was beautifully judged).

At present Tilson Thomas's Brahms lacks a proper depth of orchestral tone, a middle-European warmth and weight founded on the lower strings; but at least he makes no attempt to counterfeit such qualities, relying instead on his own fine-tuned musical instincts to "find a way" to the idiom.

*

The previous evening on South Bank the enlarged Academy of St Martin's under Neville Marriner had offered as their soloist Frederica von Stade, a singer now infrequently encountered this side of the Atlantic.

It's a shame the occasion failed to show her off to better advantage: *Casa Guidi*, a cycle of five song-settings of Elizabeth Barrett Browning by Miss von Stade's compatriot Dominic Argento, was little more than high-minded schmalz, and in Ravel's *Shéhérazade* after the interval the mezzo had to survive Marriner's lifeless account of the orchestral accompaniment. (*La Mer*, which closed the concert, came as near to complete meaninglessness as any decently professional sounding of the notes could go.)

In spite of all this, and a weighting of Argento's climaxes that tended to drown her, it was clear Miss von Stade remains an artist of special charm, intelligence, and vocal instinct. And yet one unkindly feels that she has failed to mature in ways once so bountifully promised.

Max Loppert

Cecilia Bartoli

WIGMORE HALL

Sadly, Nicolai Gedda was taken ill and unable to give his recital at the Wigmore Hall on Sunday; happily, the young Italian mezzo Cecilia Bartoli, who had to cancel earlier in the month, chanced to be free, and made her London recital debut in his place.

Only in her early twenties, Miss Bartoli already has a formidable reputation thanks to her contract with Decca: her Rosina in their new *Barbieri* has just been released, together with a Rossini recital disc. The first thing to be said is that she is far, far, prettier than the vulgar and aggressive publicity photos that have been all we have seen of her so far. Her distinguished, handsome and initially shy presence had everyone on her side before she had even opened her mouth; as the evening progressed the shyness evaporated into wonder and surprise at the vociferousness of the audience's frankly indiscriminating reception, as indiscriminating (and unhelpful) as the comparisons cited in the programme with Berganza, Horne and (!) Tebaldi.

No need to beat about the bush, however – this is a formidable talent. Her mezzo has a gorgeous fruitiness in the lower register that softens into velvety smoothness as it proceeds upwards; the top is firm and bright, and the registers are faultlessly knitted together. When she sings softly, which she does a great deal, her tone has an ethereal beauty. Her trill speaks more clearly in the upper than the lower register, but she is young yet. The decorations flow freely, the divisions cleanly marked. Under pressure, her tone can take on a pleasingly sensuous tight vibrato, very much in the tradition of Rossini mezzos.

So much was evident in the traditional opening group of *Arie Antiche*, along with that indefinable personal gift of moving from note to note in the spinning of a musical phrase. If Cherubino's arias from *Figaro* were less convincing, this could be because she approached them via the characters' emotions rather than the music through which those emotions are expressed. They were lively enough, but her sense of musical line faltered.

It was in Rossini that she sounded happiest, and it is with Rossini, surely, that her immediate future lies. Through wonderfully communicative Italian she found the warmth for *Cenerentola's* "Nacqui all'affanno" (the scales at the end sensationally precise), the humour for "Cruda Sorte" as well as a hint of edge to the tone hitherto kept under wraps, and a touching serenity for the Willow Song from *Otello*, quite the best item in a shortish evening. Here she was not hustled by her accompanist, Ronald Schneider, who elsewhere – especially in "Di Tanti Palpiti" – pushed her on in fast and strict tempo through the fioriture. Rossini must never, ever be hurried.

Indeed, all those helping this marvellous young artist on the threshold of her career shoulder a huge responsibility: nothing must be allowed to go wrong with so remarkable a talent.

Rodney Milnes

Royal Concertgebouw Orchestra

FESTIVAL HALL

It may just be chance, but I do not recall having heard the *Royal Concertgebouw* at the Festival Hall for a long time. Their visits to London usually take them to the Proms in the summer or for a single celebrity night to the Barbican.

The unexpected warmth of their sound on the South Bank son Sunday afternoon was thus a reminder both as to this orchestra's fine quality and the less than satisfactory acoustics in our other main concert halls.

For their last visit they had brought with them as a guest conductor Mariss Jansons, who directed a concert of blazing intensity at the Barbican in mid-summer. At the time it seemed the orchestra had undergone a change of identity, for their playing had a raw edge to it, straining audibly in the strings, unnaturally loud in the brass, as though the force of the interpretation had to be reflected in the sound itself.

What a difference conductors do make (whatever some orchestras may like to think!).

With a different guest conductor on Sunday in Wolfgang Sawallisch, a rare visitor to London, the orchestral sound had not only reverted to its usual blend and balance, but seemed to have become still warmer than usual: the depth of tone in Beethoven's *Leonore No 2* Overture was remarkable, even if one missed something of Jansons's clarity and white-hot glare.

Those qualities would in any case have been out of place in the central item on the programme. This was the Second Horn Concerto by Richard Strauss, a late and somewhat meandering piece. Jacob Slagter, horn-player with the Concertgebouw, was the most accomplished soloist, Sawallisch a master of the late Straussian style.

The best, though, was to come. If there has been a finer performance of Dvorák's Seventh Symphony at the Festival Hall in the last ten years, I have not heard it.

None has harnessed its complete character better than did this performance. The symphony's secret is that it is not just lyrical or dramatic, it is both: a drama locked in lyricism, to which Sawallisch has unquestionably *found* the key.

Richard Fairman

Lindsay Quartet

WIGMORE HALL

Arriving at this recital was like turning up at a wildly successful party in its final hours. The Wigmore Hall's Beethoven Festival had been running for two weeks and the scene at the final event on Saturday was of a hall packed to standing-room only, with people thronging in every corner in animated conversation about the music that had been heard. Regret at having missed the rest of the celebrations was made all the more acute when the Lindsay Quartet took the stage. With no apparent need to play themselves in, they plunged *in medias res* with an energy that suggested the spirit of Beethoven had not ceased to fizz in their bodies and souls since the end of their penultimate recital the night before. The Lindsay players always make a strong, positive quartet, but never more than when they are caught on the wing, as here.

From the first notes of Op. 18 No. 6 the playing was full of life, with contrasts strongly marked, sforzandos violently accentuated. After they had finished the piece, the leader of the group (Peter Cropper) gave an apologia for the early Beethoven quartets in general, though none was really needed after a performance on this scale. If anything, the Lindsays push the work too hard, though there is no denying the fire (*con brio*) and excitement they bring to it.

At times their desire to make the most of the music can lead to a metallic sound that grates on the ear, as bow hits string with impassioned force. But for the most challenging of the middle quartets, where Beethoven was consciously looking to break the limits of conventional string quartet writing, the all-out commitment of the players is fully in tune with what the works are about. Their "Rasumowsky" Quartet, Op. 59 No 2, was a most convincing performance, powerfully conceived.

As with the other programmes in this small festival, the string quartets were chosen one from each period, early, middle and late. The concluding item was thus Op. 135 in F, for which the Lindsay players left behind the aggressive style they had favoured earlier. In the slow movement one could sense the tension seeping out of Cropper's first violin part. That haunting D flat theme rose and fell with a feeling of marvellous repose, of the deepest eloquence.

Richard Fairman

Out of the Blue

HOLYWELL, DORSET

The *Frome Valley Community Play*, written by Jon Oram from much painstaking research, and directed by Clarissa Brown for the Colway Theatre Trust, is given in the barns of Horchester Farm, Holywell, between Yeovil and Dorchester on the A37. Before it starts, you can eat, drink, listen to folk music or chat to old and new friends at the Harvest Fair in the next barn. Don't go to Frome; that is 40 miles away in another county.

The play is about the history of the villages of the Frome Valley – Halstock, Rampisham, Evershot and the rest. It starts with the tale of Saint Juthware, chopped by her brother and beheaded, but who, with a grateful miracle, created a river. (She is remembered in the Silent Woman pub in Halstock.) More palpable history pays most attention to the events precipitating the Civil War of 1642, and to the persecution of the Quakers; but Jon Oram's theme is that everything goes on just as it always has. He gives us one happy ending, all the same.

Some 75 of the local people enact the events, which may instantly give way to another period by the intervention of a character called Ace, a practitioner of memory. "Time present and time past are both perhaps present in time future," Eliot wrote (and incidentally East Coker is in the Frome Vally). Ace rises from a sub-stage Hell in clouds of dry ice, for no doubt purely dramatic reasons, for he is no devil, nor indeed any recognisable official, just a fantastic figure.

Children in rehearsal at Horchester Farm

Events historical and current, important and trivial, happy and tragic, are mixed in a great dramatic salad all over the great barn. We all stand where it suits us best, moving around if we want to, for action may spring up anywhere. What adds to the pleasure is the mingling of the players with the audience. You wonder why this little girl, this young boy, should have chosen to come to such a serious affair, when they are suddenly workhouse children, or sheep, or Roundheads.

This air of total collaboration is what makes the evening so vastly enjoyable, the emotions so true and so touching. I laughed often at the jokes, and I really wept at the sad parts. Partly this came from the playing of the children; 12 or so is a great age for acting, as the Elizabethans knew. Some of these have been rehearsing for up to six months, and made it all worth while. Ben, the 13-year-old at the centre of the action, has a very long part, and plays it splendidly. I won't name him, in case it makes him want to be an actor when he grows up.

B.A. Young

SALEROOM

Hong Kong confidence

The Hong Kong art market was tested yesterday when Christie's Swire launched its first season of late summer sales, and the first major auction after the troubles in June. Some 280 Chinese paintings from the 19th and 20th century went under the hammer and – much to the relief of everyone – all but 11 per cent sold, more or less on target, realising a total of HK$27,028,200 (£2,184,067).

Hong Kong's tourist business has dropped significantly over the last three months, and dealers have reported a fallow period. According to Christie's Colin Sheaf, "the fact that so much sold and at prices and estimates established mostly before June shows the basic stability and resilience of this collector market. It is a real confidence booster."

The two top lots went to Taiwanese buyers. Zhang Daqian's 20 year old scroll "Clear Autumn at Wu Gorge" changed hands at HK$1.3m (£107,684), while dealers My Humble House paid HK$935,000 (£74,760) for an eloquent hanging scroll of lotus in the rain. Hong Kong dealer Robert Chang secured an image of Ni Zan washing under a wutong tree for HK$650,000, comfortably over estimate. The more unexpected prices, however, came from US bidding. A decorative pink hibiscus scroll painting signed by Shi Lu almost doubled its estimate by selling for HK$605,000, as did a set of five scrolls by Liu Guosong which fetched HK$560,000.

The series of specialist sales in Hong Kong continue with an auction of jade carvings and jadeite jewellery, and with important collections relating to the Far East: the Frank Castle collection of China trade paintings, maps and photographs; a group of drawings by George Chinnery, plus a portfolio of 200 drawings and watercolours by Charles Wirgman.

Meanwhile in London, Christie's announced the sale of a group of medals, memorabilia and letters of the legendary British athlete Harold Abrahams, who became "The Fastest Man on Earth" when he won the Olympic 100 metres in Paris in 1924 – and the hero of David Puttnam's 1981 film *Chariots of Fire*. Sadly that gold medal, stolen from his home 50 years later, is not among the 20 medals and three stopwatches on offer on November 21.

Susan Moore

ARTS GUIDE

September 22-28

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new attempt at a Royal Opera Ring opens with *Die Walküre*, in a production by Götz Friedrich adapted from his Berlin staging. Bernard Haitink conducts, and the cast includes James Morris, Gwyneth Jones, René Kollo, and Gabriele Schnaut. Final performances of *Rigoletto*.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder).

Paris

Théâtre des Champs Elysées. New York City Ballet, as part of the 27th Paris International *Dance Festival*, alternates choreographies by George Balanchine, Peter Martins and Jerome Robbins (47203637).

Vienna

Staatsoper. *Rigoletto* is conducted by Leopold Hager with a cast including Patrizia Pace, Waltraud Winsauer, Hans Christian; *Il Barbiere di Siviglia*, conducted by Ion Marin, is sung by Gail Dubinbaum, Marjorie Vance, Thomas Hampson, Anton Wendler.

Volksoper. Operas and operettas this week: *Die Csardasfürstin, Ein Nacht in Venedig, Der Freischütz, Die lustige Witwe, Kiss me Kate, Ein Walzertraum* and *Der Zigeunerbaron*.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera conducted by Sylvain Cambreling in Verdi's *Falstaff* staged by Iluis Pasqual.

Berlin

Opera. A Julia Varady/Dietrich Fischer-Dieskau Lieder recital accompanied by Hartmut Höll with duets by Bartholdy, Cornelius and Schumann (Fri). *Fidelio*, in Jean Pierre Ponnelle's production features Janis Martin, Carol Malone, Spas Wenkoff, Kurt Rydl.

Hamburg

Staatsoper. *Der Troubadour* has fine interpretations by Giorgio Zancanaro, Nina Terentjewa, Sharon Sweet, Lando Bartolini.

Bonn

Opera. The new *Aida* production, by Jaques Karpo has Rosalind Plowright repeating her much praised performance in the title role and conducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Opera. Britten's *Ein Sommernachtstraum* is respectable with singers Jochen Kowalski, Linda Griffitz, David Bennet And Vladimir de Kanel. *La Bohème* stares Gyoergyi Benza and AlbertoCupido.

Cologne

Opera. The successful Harry Kupfer *Jenufa* production features Eva Tamassy, Linda Plech, Leonie Rysanek-Gautmann, Guenter Neumann, Alfred Kuhn and conducted by Cologne's new music director James Conlon.

Munich

Opera. *Le Nozze di Figaro* features Lucia Popp, Jeanne Piland, Angela Maria Blasi, Alan Titus, Alberto Rinaldi, Kallen Esperian, Julie Kaufmann, Franz Grundheber, Francesco Ellero.

Naples

Piazza del Plebiscito. An outdoor "festa" of music and dance sponsored by the Banca di Napoli and major Italian state holdings and broadcast in Eurovision.

Milan

Teatro Nazionale. The Scala ballet company in *Les Sylphides*, Balanchine's *Apollon Musagete* and Birgit Cullberg's *SignorinaGiulia*. (436700).

New York

Metropolitan Opera. James Levine conducts the opening gala of *Aida* in Sonja Frisell's production with Aprile Millo, Placido Domingo and Sherrill Milnes, in a week that also includes *Porgy and Bess* with Priscilla Baskerville and Larry Marshall. (362 6000).

New York City Opera. The week includes the first performances of *Die tote Stadt* in a decade with Frances Ginsburg as Marietta, John Absalom as Paul and Stephen Dickson as Fritz in Frank Corsaro's production conducted by Klaus Weise; (877 4700).

Washington

Pacific Northwest Ballet. Return engagement features the world premiere of *Firebird* choreographed by co-artistic director Kent Stowell, among works by Balanchine, Paul Taylor and the other co-artistic director Francis Russell. Kennedy Centre Opera House (254 3770).

Chicago

Lyric Opera. The opening production of *Tosca* with Eva Marton, Luciano Pavarotti and Siegmund Nimsgern is conducted by Bruno Bartoletti in Deppe De Tomasi's production.

Tokyo

La Traviata performed in Italian by the Nikikai Opera Company, with popular Japanese soprano Shinobu Satoh as Violetta. Tokyo Bunka Kaikan (Wed) (370 6441).

FINANCIAL TIMES
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New start in arms control

BOTH THE Soviet Union and the US had a clear interest in presenting the results of their high-level meetings in Washington and Wyoming over the weekend in the best possible light. Mr Mikhail Gorbachev, the Soviet leader, under pressure at home because of the sparse results of his economic reforms and the clamour for more independence from national minorities, is anxious to divert domestic attention to his successful performance on the international stage.

President George Bush, who has been criticised in Congress and the press for his failure to promote an active arms control policy, also had s point to make, as be showed in his far-reaching proposal at the United Nations yesterday for cutting cbemical weapons stockpiles.

Tbese domestic factors undoubtedly contributed to the success of tbe discussions between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and his US opposite number, Mr James Baker, and President Bush. But even if study of some of the fine print of their declarations after the meeting in Jackson Hole hetrays more disagreement tban was publicly admitted, the discussions appear to have gone unusually well.

Spirit of flexibility

Mr Baker confirmed yesterday that the US and the Soviet Union had made progress over the whole arms control agenda. Officials of both sides have gone out of their way to underline the spirit of co-operation and flexibility which marked the meetings. President Bush, unenthusiastic about an early summit with Mr Gorbachev before the Wyoming get-together, has been persuaded to attend such a meeting in the late spring or early summer of next year.

Yet while it appears that a new impetus has been given to arms control negotiations and that a treaty providing for a cut of up to 50 per cent in the strategic weapons of each side is within reach, it would be a mistake to take all the euphoria at face value. Interpretations, as is so often the case, vary.

According to Mr Baker, the Soviet Union has made a vital concession in dropping its insistence that any strategic arms reduction treaty (Start) should be linked to a US undertaking not to develop and deploy a space-based defensive system. For years, disagreement over the interpretation of the 1972 Anti-Ballistic Missile Treaty, which Moscow claims forbids the development of space-based defences, bas blocked progress in the strategic arms talks.

Treaty revocation

The Soviet version gives a different picture. While Mr Sbevardnadze bas admitted that Moscow would now he prepared to conclude a separate Start treaty without any specific undertaking by the US on space-based weapons, it still insists on the right to revoke such a treaty later if Washington deploys anti-missile systems in space. The Soviet Union's fundamental position has therefore not changed. Those who believe that a Start agreement is a foregone conclusion need only look at a previous accord in this area, the Salt 2 agreement, which has never been ratified by the US Senate.

The great emphasis placed at the high-level US-Soviet meeting in Wyoming on arms control prohlems, though it has greatly improved prospects of early agreements in this field, is itself a somewhat worrying throwback to earlier days of superpower diplomacy.

The view that arms control agreements alone cannot bring any real and lasting improvement in East-West relations and thet the US and the Soviet Union must concert their policies on a wide range of regional and other prohlems, has been generally accepted since the last years of the Reagan Administration. Yet there appears to have been relatively little talk in Wyoming about such hurning prohlems as Afghanistan and Cambodia, nor any real attempt to work out an understanding on the latest developments in eastern Europe.

These are all suitable issues for discussion at a US-Soviet summit which, given the urgency of finding solutions to these problems, could well have been arranged for an earlier date than next summer.

Banking, Italian style

FEW IN THE international banking community have a high regard for the efficiency of the Italian banking industry. To that extent, the unfolding saga surrounding the activities of the Atlanta hranch of Banca Nazionale del Lavoro (BNL), Italy's largest commercial bank, does not defy all expectation. Yet tbe circumstances surrounding the grant of unauthorised loans for exports to Iraq hy the Atlanta hranch are highly unusual: many details remain obscure. Do they really provide an adequate basis for critical generalisations about Italian banking?

The specific failure at BNL was a reflection of inadequate internal controls. Whether that failure also reflected shortcomings in prudential supervision remains for the moment unclear. Yet it is impossible to ignore the fact that politicians and businessmen have seized on the affair to promote their *parti pris* in the beated debate over the future ownership of Italy's banks. Relevant or not, the BNL episode could well influence the outcome. And there is not much doubt that the Italian banking system is in need of attention: next year sees the removal of exchange controls on private capital, while the 1992 programme will hring liberalisation in 1993. There are understandable worries in Italy about the ability of the financial system to withstand these twin shocks.

Domestic focus

At present the country has over a thousand banks; and the greater part of the husiness is in the hands of a small collection of public sector giants. The strength of the system is that its focus is domestic and regional. Much patronising comment by foreign bankers tends to overlook the point that the parochiality of Italian banking has protected it from over-exposure to US real estate or Third World debt.

The drawbacks are that banking remains a politically protected sector in which costs and margins are high. Several banks are undercapitalised and the system offers a grossly inefficient service to all its customers bar one: the Govarnment, which has tended, in the past, to unload disproportionate amounts of official deht on to the banks. The major banks have also heen hijacked to varying degrees hy the politicians, for whom top managerial appointments represent an opportunity for patronage. The further south the hank, the more likely its loan book is to be diverted to support unsound projects for regional political ends.

Some in Italy, including Treasury Minister, Guido Carli, and some of the leading private sector companies, argue for a straightforward business solution to this prohlem. If you have a highly liquid corporate sector, several undercapitalised banks and a runaway public sector deficit, privatisation offers an ohvious means of squaring more than one vicious financial circle at a stroke. Italy's industrial giants can also offer professional management, which is conspicuously lacking in some of the country's largest banks.

Informal cartel

Tbe alternative view, strongly held hy the Bank of Italy, is that banking, with its fiduciary obligations to depositors, does not mix well with industry. It is widely shared by central bankers and has been urged, for example, by the New York Fed in a comparable argument that rages in the US. But the case is douhly reinforced in a country like Italy hy anti-trust considerations. The feudal giants of the Italian industrial system often behave like members of an informal cartel. To substitute the influence of Italy's largest industrial families for that of the politicians is a less than ideal solution.

A more benign form of privatisation, involving participation by private investors and minority participation by foreign banks would make better sense. Yet any move in that direction is hampered by the politicians' fear that private ownership will lead to labour shedding in a grossly overmanned sector. With liberalisation in the offing, the qnestions are becoming more pressing. Having moved swiftly to recapitalise BNL with funds from other public sector institutions, the authorities should now address themselves firmly to the wider issue.

Alice Rawsthorn on a shift in strategy by the international textile industry

Woven to suit the changing market

A weighty document from the Monopolies and Mergers Commission will arrive this morning on the desk of the Secretary of State for Trade and Industry, Mr Nicholas Ridley.

The document will discuss whether Coats Viyella can proceed with its plans to increase its textile interests by taking over Tootal. If the commission and Mr Ridley agree, Coats will be able to revive the £395m bid it made for Tootal in May.

Coats and Tootal both have extensive textile interests in the UK, but the real rationale for the merger lies overseas. Coats is eager to add Tootal's sewing thread companies in the Far East to its own operations in north and south America. If the hid succeeds, it will become the biggest single force in the world market for thread.

The Coats bid is the latest – albeit the largest – in a long line of international deals within the world textile industry in the last year or so. Other industries are already accustomed to cross-border bids and international alliances, but in textiles they are relatively recent.

The world trade in textiles is truly international, in that cloths and clothing have been shipped from country to country for centuries, but even the largest groups have traditionally limited their manufacturing operations to their own countries of origin.

There are exceptions. Levi-Strauss and the VF Corporation, the hig US clothing companies, have been making denim jeans all over the world since tbe 1960s. The big lingerie groups – Playtex of the US, Wacoal of Japan and Triumpb of Switzerland – also operate on a global basis.

Similarly the western European and north American textile companies have been sourcing products from lower cost countries for years. The West Germans have long established links in eastern Europe and the French in north Africa. Yet they tend to sonrce from sub-contractors in these countries, not from their own production plants.

At first sight it seems ironic that the same companies which source and sell products all over the world should be so reticent about manufacturing outside their own countries. Yet the reasons for this parochialism are easy to see.

One is that it is relatively inexpensive to ship textiles from one country to another. The West German and Italian clothing companies, such as Steilman and Marzotto, have been able to estahlish significant export markets without incurring heavy investment in overseas manufacturing.

Similarly the lahour-intensive nature of textile production – particularly clothing – means that there are advantages in operating small, closely controlled production plants. The comparatively low level of automation also means that there is no need for companies to build on a large scale to defray the cost of research and development.

The dominant trend in textiles during the 1980s has been retrenchment, not expansion, as the estahlished groups have rationalised their activities to become more competitive against emerging economies with lower labour costs. The US industry lost more than 250,000 jobs between 1980 and 1987, at a time when the textile workforce in the European Community fell by a quarter.

There are also specific reasons that have inhibited international expansion by companies in particular countries. The US industry was able to depend on its domestic market for continued growth until the early 1980s, hecanse the US economy emerged unscathed from the oil shocks of the 1970s. The Japanese industry has been deterred from investing overseas by the power of the three trading houses – Mitsubishi, Mitsui and Itoh – which dominate textile exports from Japan.

Thus, until now, there has been little impetus for the big textile groups to invest in overseas production. Now, however,the industry is changing. In the last year or so the big textile groups have become embroiled in a succession of international acquisitions and associations.

Hugo Boss of West Germany moved into the US earlier this year by buying the Joseph & Feiss menswear business. Courtaulds, one of the largest UK companies, has spent more than £50m to huy lace and elastomerics businesses in France and the US. Chargeurs of France has been involved in a number of deals – chiefly hy buying minority holdings – to establish an international presence in wool textiles.

DMC, another French group, has made no secret of its international amhitions. Its name has been suggested as a prospective predator for everything from Dominion Textiles of Canada to Coats Viyella. Mr Julien Charlier, its chairman, has a habit of bellowing: *"Je veux être le plus grand"* ("I want to be the biggest") at visiting industrialists. DMC has bought several businesses including Donnisthorpe, the UK thread company. It has also staged acquisitions through a joint venture with Nijverdal Ten Cate of the Netherlands.

Until now, even the largest groups have confined their manufacturing plants to their countries of origin

Toray, the biggest Japanese textile group, bought the Samuel Courtauld weaving business in the UK from Courtaulds for £25m earlier this year. Two other Japanese companies, Kurabo and Toyo Menka Kaisha, have joined forces with Tootal to build a £16m finishing plant in Scotland.

Many of these deals are small in scale. Yet they are indicative of a growing awareness among the larger groups of the need to safeguard their export markets hy establishing an international presence in textiles.

In the past the European and north American groups have sourced from suh-contractors in emerging economies on grounds of cost. The rationale for the recent round of acquisitions is that they need to operate their own production plants in their major overseas markets not to cut costs, but to offer a better service.

Hugo Boss, for example, made almost half of its DM 596m (£195m) sales outside West Germany last year. Boss has built up a sophisticated system of servicing its European customers from its headquarters near Stuttgart in southern Germany. But it has become increasingly concerned about the long-term stability of the increasingly important US market.

One cause for concern was the fluctuation of the dollar against the D-Mark. Another was the political pressure for protectionism in the US. And it was not cost effective for Boss to ship some of its standard products, such as T-shirts, from West Germany to sell in the US.

Mr Jochen Holy, who runs Boss with his brother Uwe, decided that establishing a manufacturing base in the US was "the only way to protect our long-term interests." In January Boss bought Joseph & Feiss, one of the oldest menswear manufacturers in the US, with a huge production plant in Ohio.

Another catalyst for the wave of international acquisitions lies in the changing nature of textile production which has become increasingly capital intensive. The increase in automation – especially in spinning and weaving – is alleviating the old problems of operating labour intensive plants on an international basis and has created new opportunities to approach textiles as a global husiness.

The changes in the lace industry are an apt example. For years lacemaking has been dominated by small, family firms all operating within their own countries. And for years these firms have used the same machines: the Leavers system invented in the early 1800s and the Raschel machines from the 1960s.

But the introduction of the Jacquardtronic, a computer- controlled machine, is revolutionising the industry. The Jacquardtronic is faster and more flexible than the old machines. It is also much more expensive. The cost of remaining competitive in lacemaking is now too high for many of the family firms. Moreover it is suddenly much more lucrative for large companies to enter the industry.

Courtaulds has seized this opportunity. Last year it bought Desseilles, an old established French lace maker, and Liberty Fabrics, one of the largest lace and elastomerics companies in the US. It is now the biggest single force in the international lace industry.

The structural changes in textile production have been accompanied by changes in the market place. The speed with which fashions change and the need to keep stocks to a minimum mean that the most successful textile companies are those that offer the fastest and most flexible service to their customers.

The importance of "quick response" affects every area of the textile cycle. Mr Raoul Verret, president of Werner International, the management consultancy, is convinced that cost is becoming less important as a competitive advantage and textile companies must operate closer to the market to respond to the changing requirements of their customers.

Toray of Japan has been exporting its fine polyester fabrics to Europe for years. But it became concerned that it could not continue to be competitive without establishing a presence in the European market. Mr Kohei Sakamoto, vice-president, said Toray was worried that its service would be too slow and that it would not be sufficiently responsive to changes in fashion.

In February Toray bought the Samuel Courtauld plant in northern England from Courtaulds. It is now expanding it to increase output of fine polyester and plans to use the plant as its base for textile activities in Europe.

It has yet to be seen whether the new generation of global groups can overcome the old problems of operating in textiles on an international basis. The industry may be less labour intensive than in the past, but the level of automation is still far lower than in other areas of manufacturing. And, despite the recent rush of international alliances, the industry is still highly fragmented.

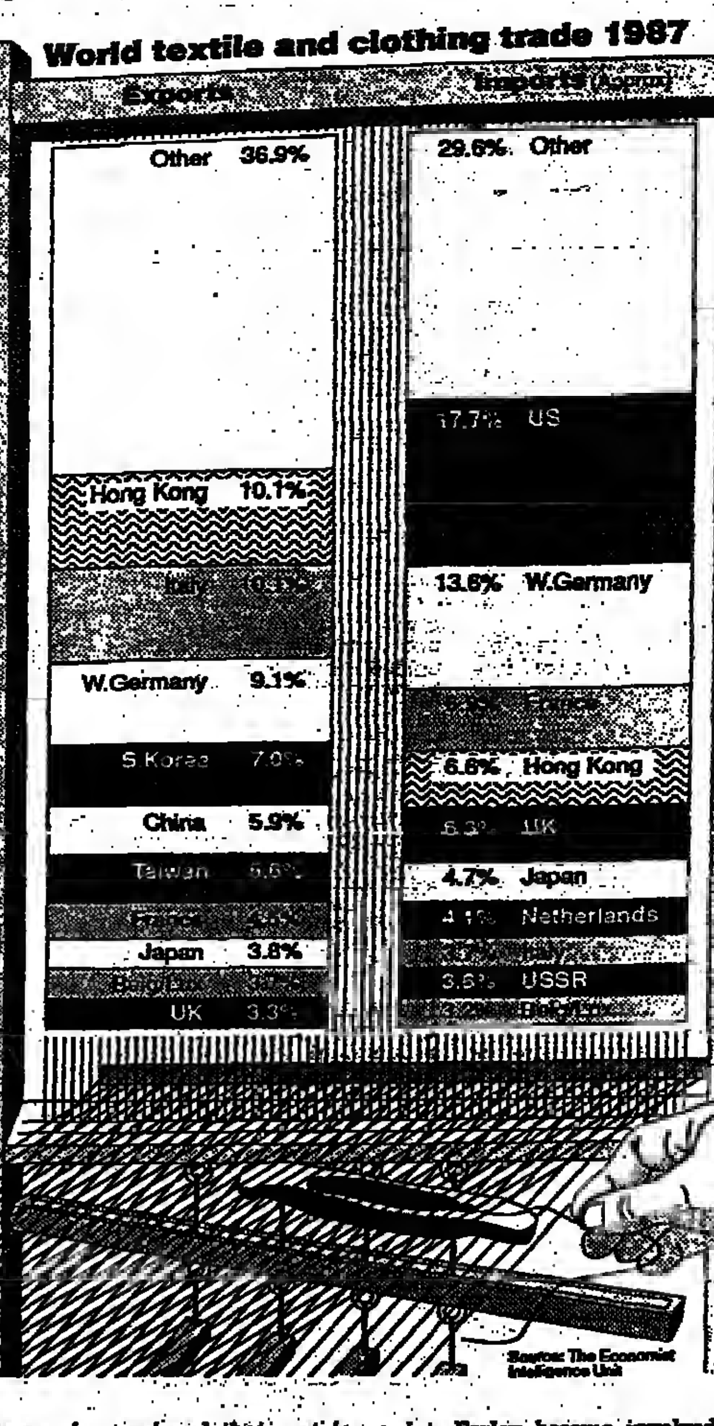
Farley Industries, the giant US textile group, took two years to bring its Fruit of the Loom clothing factory in the Irish Republic to the break-even point. Farley became involved with the plant, initially as a joint venture, four years ago and has been extending it ever since.

So far it has invested $80m (£52m), including grants, in the plant, which is now one of its main manufacturing centres for the European market. Mr William Farley, chairman, has no doubt that the investment was correct. But he admits that the project has been much more difficult than expected.

He cites the fragmented structure of the European market and the difference in distribution systems as the principal difficulties. "So far so good," he said. "But the Irish project has been much more complicated than manufacturing in the US."

The international deals show no sign of stopping, however. Scarcely a week goes by without a rumour of yet another Japanese or European group prowling the US. Coats is determined to press ahead with its bid for Tootal. And only a few weeks ago Courtaulds announced the acquisition of Georges Rech, the French fashion house.

"There are disadvantages to operating internationally in textiles but there are advantages too," says Mr Martin Taylor, chairman of Courtaulds Textiles. "Before we bought Desseilles we really thought we knew the product and the market. Owning the business has been invaluable. It has taught us just how little we really knew."



Source: The Economist Intelligence Unit

Poher still in the wings

■ The partial elections to the French Senate, which took place on Sunday, generated little excitement, largely because this sleepy institution has become so unimportant that it has become a subject of rather antiquarian interest. Its members are indirectly elected by local and departmental councillors (as well as hy members of the National Assembly), which means that the rural areas are heavily over-represented, and the right has a built-in majority.

On Sunday the Gaullists did rather well, becoming the largest single group, and the centrists did badly; the Socialists maintained their position as the second largest group, hut were mortified once again by the irrepressible renegade "Socialist" mayor of Marseilles, Robert Vigouroux, who with two allies took three Socialist senate seats.

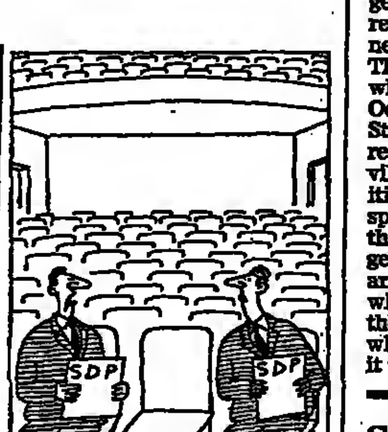
But the real give-away of the comfortable unimportance of the Senate, is the fact that Alain Poher, President of the Senate, proposes to stand for an eighth three-year term; and there appears to be every chance that he will be elected unopposed.

This is a strange state of affairs. The President of the Senate is not merely third in protocol seniority in France; he takes over the functions of the presidency of the republic if the President resigns or dies. A number of prominent senators are known to want the job, starting with Charles Pasqua, leader of the Gaullists and tough Interior Minister in the 1986-88 Gaullist government; and Alain Poher, who has held the joh for 21 years, is 80 years old and not a little frail. The circumstances seem tailor-made for a contested election.

The reason, no douht, is that Poher is so much part of the history of the Fifth Republic that none of his potential rivals in this gentlemanly club cares to strike a discordant note. When De Gaulle resigned in 1969, Poher took over as President for two months, until a new election could be held. In that election, he stood against Georges Pompidou, and ran him a not-very-close second. And when Pompidou died in 1974, Poher again stood in as President, until the election of Giscard d'Estaing.

Le Monde asked a dozen of the more prominent senators why they were not standing for the Senate presidency, and they all gave the same explanation: Alain Poher. Charles Pasqua is a man who normally eats rival politicians for breakfast, but even he has been infected by a sense of decorum: "I shall never be a candidate against President Poher."

OBSERVER



"It's not the moderate turnout I was expecting"

Lady hunter

■ Enter Akemi Okade, the head bunter. Okade is a very personable Japanese lady who will be helping Japanese companies setting up, or already established, in Britain to recruit British management.

Her appointment is part of a joint venture between Norman Broadbent International and the Persona Group of Japan. Ultimately it will be a two-way process: their joint subsidiary, known as NB Selection Japan Limited, will also be seeking Japanese managers for British companies taking off in and around Tokyo.

For the start, however, it is more of a one-way street. The Japanese are expected to keep their own people in the very top posts of their firms in Britain, but are looking for highly qualified British managers to come in and support them. The Persona Group has already set up a similar joint venture for management recruitment in West Germany.

Okade will play the role of liaison officer between the British and Japanese ends of the venture. She speaks good English, spent a year at the London School of Economics and will help to find out from the Japanese managers what they really want from the British. She will not herself do the recruiting. No other Anglo-Japanese executive head hunting agency exists.

PMs' paradise

■ A tradition has grown up that heads of government at the biennial Commonwealth conferences should be whisked away for an idyllic weekend of relaxation to take their minds off the vexed issues such as the usefulness or otherwise of economic sanctions against South Africa. Very superior standards indeed have been set hy host countries in recent years and this year Dr Mohammad Mahathir, Prime Minister of Malaysia, is hoping to provide the paradise island to beat them all.

As Malaysia already has jewels like Penang off the west coast and Tiomen off the east, he has set himself quite a target. The answer is a new island resort off the west coast up near Malaysia's border with Thailand – Langkawi Island, where the brilliant blue Indian Ocean runs into the Malacca Strait. The Pelangi beach resort, a replica of a Malaysian village but with high-tech facilities, is where the leaders will spend their weekend. More than a year has been spent getting it to perfection for their arrival. The only element which cannot be perfected is the weather: it rains for a short while most days – in October it tends to pour.

Secret file

■ Wolfgang Riecke, the head of the West German Bundesbank's international department, nearly found himself with a second joh at the IMF annual meetings in Washington.

Under the impression that Riecke was a professional photographer, a zealous official tried to press the German central banker into taking pictures of the talented West German violinist, Anne-Sophie Mütter, who had just performed at a concert hosted by the Deutsche Bank.

With zoom lens and flash equipment, Riecke looked the part. He was unusually conspicuous. He normally operates with a small pocket camera and, over years of attending major financial conferences, is reputed to have built up an unrivalled collection of pictures of finance ministers and central bankers dozing through each others' speeches.

Quivering

■ A reader recently in Baghdad reports that one of the items on the English-language menu at his hotel was "Nervous pudding." It turned out to be jelly.

Aid for Poland

How to help the Solidarity Government succeed

By Jeffrey Sachs

At the time of the Paris Summit last July, the western governments began to chart a strategy of modest economic aid to Poland based on three premises that quickly proved to be wrong: that Solidarity would remain in opposition; that economic reforms would proceed gradually and piecemeal under a Communist-led government; and that the Polish economy would remain sick but still manageable.

During the past two months, the situation has changed fundamentally. Solidarity has now formed the first non-Communist government in Eastern Europe, and Prime Minister Tadeusz Mazowiecki's cabinet has made clear its intention of creating a western-style market economy operating within a parliamentary democracy. At the same time, there has been a startling economic deterioration, with the outbreak of hyperinflation and the collapse of supplies in vital consumer goods markets.

The West must now create a new strategy of financial assistance. The previous plans for food aid and for some project lending are still useful, but are of limited significance. With Mr Mazowiecki's government battling for survival, aid from the West should aim to support the new government's efforts to end the hyperinflation and regain financial stability.

At this week's annual meetings of the IMF and World Bank, Leszek Balcerowicz, Poland's new Economy Minister, is circulating a timetable that outlines the harrowing tasks ahead. The timetable calls for a broad set of measures in the next two years to tame the hyperinflation, restore price stability, build Poland's private sector and put the sprawling government sector under market discipline.

The measures planned over the next six months are fraught with the greatest peril. Subsidies are to be cut sharply, prices are to be liberated from decades of arbitrary administrative controls, and the highly overvalued exchange rate is to be devalued, unified and made convertible. These changes will produce a "corrective" inflation on top of the existing rate of 50 per cent a month, but are necessary to eliminate the enormous budget deficit and to provide a realistic price structure in which the private sector can begin to function effectively.

After these corrective steps, there will be the chance early in 1990 to bring about a shift to price stability. As in the recent experiences of Bolivia, Mexico, Israel, and now Argentina, the government will be in a position to offer workers a stable, unified exchange rate and stable prices for key commodities (with prices tied to world levels), in return for a period of wage restraint. But the bargain will be hard to sell, since real wages will have been sharply reduced by the subsidy cuts.

The government will also carry out a series of crucial institutional reforms, to begin almost immediately. A new privatisation law will be introduced by the end of this year, with the aim of transforming much of Poland's state sector (which now accounts for more than 90 per cent of industrial production) into joint-stock companies owned by Poles and foreign investors. The government plans to tackle fundamental tax reform in 1990, to correct a tax system that is bewildering, arbitrary and punitive, with marginal tax rates that rise close to 100 per cent.

These reforms can end a situation in which skilled workers in the centre of Europe earn just $30 per month because the system arbitrarily kills efficient economic activity. With overvalued exchange rates and confiscatory taxes, it is no surprise Poland's recent export push has taken the shape of a flood of Polish workers moonlighting in the West and carrying goods in their cars for sale on the streets of West Berlin. Poland's chances of economic growth in the medium term are excellent, assuming that prices, the budget, and the ownership and tax systems can be rationalised as planned.

The West can play a vital role in fostering this transition by a rapid and well-directed program of financial support.

● Tadeusz Mazowiecki

Two kinds of actions are of over-arching importance. The first is a rapid infusion of foreign exchange to support the Government's efforts to stabilise the currency, and thereby break the hyperinflation. The second is extensive debt reduction, to remove the $39bn overhang of financial liabilities that will otherwise cripple Poland's chances for a fresh start.

Within the next 90 days, the West should support the following steps.

● The IMF should extend a one-year standby credit to Poland of around $700m (90 per cent of Poland's quota in the IMF)

● The World Bank should extend a $500m Structural Adjustment Loan to support the fundamental transformation of the economy. Both loans would be conditional on the policy changes the Polish authorities have already outlined.

● Most critically, the West should provide an immediate boost to Poland's depleted foreign exchange reserves through a stabilisation loan of at least $1bn, constituting about two months of Poland's imports from the West. The money from the IMF and World Bank is too small and will be disbursed too slowly to offer a substantial boost to foreign reserves which have fallen to just two weeks of imports. History has shown repeatedly that a stabilisation loan can greatly improve the chances for defeating a hyperinflation. By raising the prospects for a stable currency, the loan brightens the chances for wage restraint, and weakens the internal political opposition to fundamental reforms.

The western governments should also recognise that Poland's debt is now completely unserviceable for the next twelve months, and is substantially unpayable in the longer term. Therefore,

● The Paris Club of Poland's government creditors should simply refinance all debt service falling due in 1989 and 1990, and capitalise late payments from 1988. The commercial banks should similarly finance the interest due over the next year. After the dire emergency abates in 1990, the Government of Poland could start discussions with the Paris Club and the banks to achieve a long-lasting reduction, by about one half, of the debt burden.

The financial assistance that Poland needs is a pittance for the West. A $1bn stabilisation loan could easily be arranged in a morning through the swap networks of the central banks and finance ministries. The IMF and World Bank loans could be in place in 45 days. The package of debt reduction measures would merely make explicit what is already obvious in practice.

The stakes in Poland are enormous, not only for the Poles, but for the whole world. Success will point the way for peaceful economic reforms and democratisation in the rest of Eastern Europe and the Soviet Union. Failure, especially if it provokes a new clamp-down in Poland, could poison the chances for reform for years to come, and throw Europe back into the bitter days of the cold war.

If Poland's government fails for lack of adequate western support, our greatest loss would be spiritual. The West would be forced to confront for years to come a failure of will to act on behalf of the greatest western ideals of freedom and democracy.

The author is Galen L. Stone Professor of International Trade at Harvard University and an economic adviser to Solidarity

FOREIGN AFFAIRS

Time to bring Japan into the fold

The Western debate about how to deal with Japan is worryingly one-sided, argues Jurek Martin

Incredible though it may seem, Mrs Thatcher did Japan a service last week. In making her pitch for British stockbrokers, Scotch distillers and Fair-Isle sweater knitters, she reminded her hosts that yesterday's wars are still being fought in the West. By implication and omission, she also confirmed that tomorrow's problems, which ought to be about the full integration of Japan into the policy making deliberations of the community of industrialised nations, still take a back seat. Her Chancellor's determination in Washington this week to continue to block Japan's elevation to the number two spot in the International Monetary Fund is another example of this sort of pervasive recidivism.

What the British government does and thinks about Japan is not intrinsically very important, unless it comes to shape European attitudes, which it has not much so far, or is influential in the US, which is less the case now that the baton has been passed from Ronald Reagan to George Bush. The trouble, as a recent visit to Washington amply confirmed, is that what occasionally crosses the official British mind on Japan, when a Prime Minister goes to Tokyo or when a Chancellor goes to the IMF annual meeting, is increasingly common currency in Washington.

The great American debate over Japan is taking place in the open and at many different political, journalistic and intellectual levels. It is good that it has been extracted from the narrower confines of diplomats, Japanologists and protectionists. But, as currently constituted, the arguments are tending to flow pretty much one way. The following examples give a flavour.

● A recent edition of Fortune magazine, normally reasonably sober, carries an article under the headline "Where Japan will strike next." The language is not temperate. "If you think you have seen surprises from Japan stick around. Responding to fire breathing challenges from Korea and other growing Asian dragons, the folks who brought you the Walkman, the VCR and the Honda are readying a new assault . . . with the billions that Japanese companies have amassed at home and abroad, they are poised for a quantum jump in their already impressive share of world markets." And this is only in the first paragraph.

● In the more cerebral Atlantic magazine in August, James Fallows, of whom more later, launches a scathing attack on what he calls "the Japan handlers," those Americans who have managed the relationship in the post-war years. In many respects it is an excellent, informed piece, properly critical of the protective and mercenary inclinations of some of the breed. But it also accuses Mike Mansfield, ambassador in Tokyo for 12 years until his retirement in January, of something close to not representing American interests by deliberately subordinating in his embassy commercial considerations to political-military goals. In other Washington conversations, I heard Mr Mansfield described as "the anaesthetist." I thought I smelled a witch hunt brewing.

● Up on Capitol Hill, Congressman Richard Gephardt, now Democratic majority leader in the House, will shortly introduce a bill requiring that those Cabinet ministers with commercial briefs be included in all National Security Council deliberations on Japan. Blanket admission has hitherto been confined to the foreign, defence and intelligence establishments.

There is logic to this move. It may now be the case that the most powerful single US levers in the bilateral relationship are the Super 301 element of last year's Trade Act and the negotiations on structural impediments to trade. Further, the resolution of the FSX controversy (joint production of a new fighter for the Japanese military) in effect meant that the *cordon sanitaire* which successive US administrations had placed around the security relationship with Japan had been dismantled.

Whether the evolution of US policy will be enhanced by the simplistic opinions on the Japanese economy of Mr Robert Mosbacher, the Commerce Secretary, is another matter entirely. However, the hand of Congress in foreign policy making is growing more prevalent and an administration as passively inclined as this may not choose to fight the trend.

● It is, however, between hard covers that the debate is really raging. In the American corner are the so-called "gang of three" – Mr Fallows (in his book More Like Us), Karel van Wolferen, the Dutch journalist (The Enigma of Japanese Power) and Clyde Prestowitz, the former trade negotiator (Trading Places). They are being abetted by a spate of America bashing in Japan, exemplified in a new book, The Japan That Can Say No, by Akio Morita, the idiosyncratic Sony chief, and Shintaro Ishihara, a right wing Japanese politician.

The conclusion drawn is that if Japan cannot or will not change it must be forced to do so

All these books are very different. Mr Fallows's is actually not very much about Japan, though he has been living there, but mostly about a perception of his own country. For a writer of such intelligence and style, it is disappointingly one dimensional. Mr van Wolferen's is all about Japan – apart from an obligatory final chapter on American responses – and seems to me generally to be an excellent dissection of the Japanese system which, if anything, demystifies the proposition that Japan is culturally abnormal.

But the crude synthetic conclusion being drawn from all is that Japan cannot or will not change, that America cannot or will not match Japan, for cultural reasons on both sides of the Pacific, and that the answer, therefore, lies in the field of managed trade between the two, or forcing Japan to do what it might not otherwise want to.

The counter arguments are still a bit muted. Bill Emmott, the former Tokyo correspondent of the Economist, is about to join the fray with the US publication of The Sun Also Sets, maintaining that Japan's current surpluses are not set in concrete and that, in any case, Japan has recently been and is still experiencing extraordinary social and economic change. Two American academics, Kent Calder of Princeton, in a sophisticated analysis, Crisis and Compensation, and Gerald Curtis of Columbia, in the less questioning The Japanese Way of Politics, explain, with some sympathy, how Japanese policy is actually made.

But, in political terms, the defenders of the status quo with Japan (who also proclaim themselves anti-managed traders) are finding it tough going. John Makin, Japanese expert at the American Enterprise Institute, concedes that the relationship with Japan "is a crisis waiting to happen." He fears it might be brought on by some extraneous incident (a repeat, for example of the Toshiba affair). He concedes that the works of the gang of three have had an impact and can only bemoan that "none address the central issue, which is that US relations with Japan are themselves an anomaly."

The State Department, however, will not even concede this much publicly, contenting itself with the usual litany: that Mr Kaifu's recent visit to Washington was "successful," that the threat of a non-LDP government in Japan is still pretty remote (not an unreasonable position) and that, in any case, the Soviet threat to Japan and Asian security cannot be said to have declined.

Well, maybe not as of this precise moment. But there is a different world out there now and it is impossible to imagine the relationship between the US and Japan not changing while all about it is. In the US, most of the would-be architects of change veer towards the neo-brutalist. A trip to Tokyo next week may reveal the Japanese design.

LETTERS

The Labour Party's policy review and the utilities

From the Rt Hon Nicholas Ridley MP.

Sir, Bryan Gould's article ("Water flotation: Labour's attitude to the privatised industry," September 14) urging investors not to buy water shares raise wider questions about what lies behind the generalisations of tha Labour Party's policy review.

Mr Gould made it clear that it would be a Labour Government's intention to depress the market price of shares by intervening to fix prices "to exclude the element of dividend to private shareholders." In a televised interview, he indicated the same rule would apply to other utilities – Gas, Electricity and British Telecom. In all these utilities, the Government has, quite rightly, set up e system of monopoly price control. It now appears that Labour proposes to use this to destroy the profitability of the investment.

Neil Kinnock's supposed "rebuke" to Mr Gould was nothing of the kind. He said that dividends would be payable, but felt obliged to add that "the calculations about appropriate prices will partly determine how much revenue is generated." That seems to confirm rather than contradict Mr Gould's assertion that price fixing would be used to leave the shareholder with little or no dividend, and little or no value for his shares.

In Labour's policy review, the relevant phrase covering repurchase of shares is that they would be bought at "a fair market price." Understandably, people took this to mean that a Labour Government would not go out of its way to depress the price in advance of re-nationalisation. But the review went on to say that all the major utilities would become "public interest companies" each with its own "public interest commissioner" who would set pricing policy according to "interests which are wider than those of the shareholder and other owners." Mr Kinnock was not able to disown Mr Gould, because Mr Gould was merely setting out what was implied in the policy review. The words "fair market price" can, after all, justify re-nationalisation without compensation if the business is worthless.

We should all be grateful to Bryan Gould for his little indiscretion which has drawn this out. What a mean trick it is, robbing millions of shareholders of their savings, while electioneering on a "fair market price."

Surely it is about time the same critical scrutiny was applied to other commitments in the Labour Party's policy review?

● What for example is meant by the pledge to give the Department of Trade and Industry "new powers" to make "strategic intervention in key sectors of the economy?" Why are such powers needed and how would they be exercised? Are they a euphemism for Clause IV?

● What is meant by the pledge to "introduce social audits for companies" to "challenge the tendency to split the economic sphere from the social"?

● Why does the next Labour Government need to "review the function and operation of the limited liability company"? It goes on to say "the law gives important privileges to shareholders in such companies. These privileges must be earned."

● What are the implications for us all of Labour's pledge to establish "voting control" in the water industry without necessarily buying the equity?

Mr Gould clearly considered himself justified by the policy review in setting out these policies.

Until Mr Gould fell into his own elephant trap, the Labour Party had been getting an easy ride on its policy review. Few asked too much ebont the detail. What little we now know has frightening implications for shareholders, pension funds and industry more generally. Surely the financial press, the fund manager and other representative organisations should be asking more searching questions?

Nicholas Ridley MP,
Secretary of State for Trade and Industry

Cash cough

From Mr David Richards.

Sir, Reviewing the advantages of marketable pollution permits as an anti-pollution measure ("Planet Earth: creating a market for pollution," September 16), Norman Myers attributes no significance to the fact that the permits raise revenue for government.

If Green policies are going to require public expenditure, then revenue-raising Green measures must be welcome. In the US, some government officials advocate an auction for permits to emit chlorofluorocarbons, so that the government, not the private sector, captures the windfall profits from diminishing supply.

In the long run, governments will maximise the revenue they raise from pollution permits if they issue them annually rather than sell them in perpetuity. This will also prevent some polluters holding on to permits in the hope of capital gains instead of selling them to other polluters who find it more expensive to reduce their emissions.

David Richards,
Economic and Social Science Research Association,
177 Vauxhall Bridge Road, SW1

Jobs galore

From Mr P.E. Haxby.

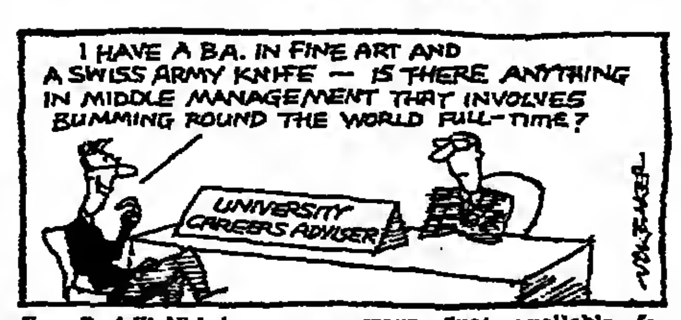
Sir, Michael Dixon (How graduates fared," September 13) suggests that nobody knows why a proportion of graduates, other than pensioners and parents, are not immediately available for employment, further study or training.

Any university careers adviser could have told him that most graduates in this category are taking time out to travel. Some of them will have deferred offers of employment available on their return.

The recent growth of this group reflects the growing confidence of students in an increasingly buoyant graduate recruitment market, but there is some way to go yet before taxpayers need feel threatened in any way.

Revisions already made to the coding system used in collecting first destination data will, from 1989, provide more detailed information about graduates who have been previously categorised as "not available."

P.E. Haxby,
Aston University,
Aston Triangle,
Birmingham



From Dr A.W. Nichol.

Sir, Contrary to the views of W.W. Sweet (Letters, September 16) and Michael Dixon, information about the destinations of new university graduates, weighted by subject mix, is published by the Committee of Vice-Chancellors and Principals (CVCP) in "CVCP/UFC Management Statistics and Performance Indicators."

The next edition will be published on October 2 and will include, for each university, the number of graduates recorded as unemployed or in short-term employment, together with a predicted value based on the national proportion in each subject. To do this calculation adequately requires consideration of more than e 100 distinct subjects, and it is impracticable to publish the underlying data in such detail.

Some breakdown of the group "not available for employment" is being collected for the December 1989 return and will be available next summer, but it must be recognised that university careers services are not well placed to make inquiries of a group who are inherently uninterested in their services.

The timing of our first destination record is too early for it to be really suitable for the kind of analysis in which Mr Dixon is interested: that is not its primary purpose. Nevertheless, some follow-up studies have been done which show that very few university graduates remain without employment or training one year to 18 months after graduation.

Dr A W Nichol,
The Universities Statistical Record,
PO Box 130,
Cheltenham

FINANCIAL TIMES
Tuesday September 26 1989

GORBACHEV TELLS SUPREME SOVIET ECONOMIC REFORMS ARE CRUCIAL

Soviet budget plans to cut deficit by half

By A Correspondent in Moscow

MR Valentin Pavlov, the Soviet Finance Minister, yesterday proposed an austerity hudget to deal with his country's economic crisis.

He plans to halve the hudget deficit from 120hn roubles ($188hn) this year to 60ho roubles next, largely by raising new money and cutting the defence hudget, and to issue bonds to cover the shortfall.

He also revealed that tbe country's external debt stands at 58bn roubles.

The hudget was announced in the Supreme Soviet on the day it recoovened for what is expected to be a make-or-break session. In the next two months, the Parliament is due to pass several critical laws on economic reform – on property rights, leasing and republican economic autonomy.

In his opening speech, Mr Mikhail Gorbachev said that unless these crucial decisions were made, the country's economic slide would result in grave consequences "in tbe near future."

Part of the plan to cut the deficit is based on cuts which will redoce total government apending by 6bn rouhles next year to 488hn roubles. The main hurden falls on defence spending whicb will fall to 70.8hn rouhles. This is 6.4bn roubles less than this year's figure and 12hn roubles less than the average for the past five years, enabling Mr Pavlov to claim that the cuts fulfill the 14 per cent reduction in military spending promised hy Mr Gorbachev earlier this year.

The composition of spending is also to change. To increase the snpply of goods in the shops, Mr Pavlov said capital expenditure will be slashed to apend more on consumer-goods production, a measure long advocated hy Soviet economists. Money earmarked for current consumption and non-industrial construction will rise hy 86 per cent.

Most of the reduction in the deficit, however, will come from increased revenues. Mr Pavlov said that he expects government income to rise by 12.5 per cent to 488bn roubles next year.

The new money is to come from the introduction of an income tax, as previously announced, and from a tax on companies' turnover set at 28.9 per cent for 1990.

Until recently, Soviet budget figures have not been considered worth scrutiny because they merely validated the five-year plan. This budget, however, marks a change not only in outlining a comprehensive plan for tackling the country's economic ills, but also in confirming that a money market will be introduced in the Soviet Union next year.

The 60hn roubles budget deficit is to be financed by an issue of state bonds, pushing the country's internal debt up to 400bn roubles.

Opec due to approve production ceiling

By Steven Butler in Geneva

OIL ministers from tbe Organisation of Petroleum Exporting Countries (Opec) were last night due to meet to approve an agreement raising the production ceiling to 21m barrels a day.

A breaktbrough was achieved earlier in tbe day after an unexpected softening by Algeria in its opposition to any increase in the current production ceiling of 19.5m h/d before Opec had achieved its price target of $18 s barrel.

A oew production agreement is seen as a critical test of Opec's ability to discipline itself and to respond to cbanging market conditions. It will also affect the organisation's ability to manage the market early next year, when many analysts expect a sudden softening of demand for its crude oil.

Althougb details of yesterday's proposed agreement have yet to emerge, it appeared likely to lead to an increase in oil prodnction by the Opec members. Output is currently running at 22m b/d, some 2.5m b/d above the ceiling.

The proposed agreement was understood to involve a pro-rata increase for all 13 Opec members. However, it remained unclear whether there would he any concessions to meet Kuwait's demand for an increase in its quota.

Kuwait has refused to soften its demand for a special quota increase from 1.093m b/d to 1.35m h/d before any pro-rata distrihution. This raises the possibility that without a significant concession, Kuwaiti production at roughly 2m b/d could continue unrestrained while otber Opec members raise their production to meet the higher quotas.

Both Kuwait and Lihya were last nigbt understood to ha awaiting instructions from their governments before signing the accord, and either could block the new agreement. In June, Kuwait signed the Opec production agreement with reservations, and served notice that it would violate its qnota. The United Arah Emirates is the other main quota violator.

Both Saudi Arabia and Iraq, whicb have excess production capacity, had strongly backed the moves for a rise in the production ceiling. They were initially opposed hy a majority of members who wanted higher prices, but a compromise by Iran was the turning point.

By yesterday morning only Algeria stood out against the agreement on the grounds that it saw no sense in increasing supplies when Opec's price target was still not being met. However, Mr Sadek Boussena, the Algerian oil minister, later said that his country could back a ceiling increase provided there were guarantees that others would not violate their quotas.

There were fears at the meeting that by awarding an increase on a pro-rata basis, Opec would be throwing away an opportunity provided by a surge in oil consumption to satisfy Kuwait's demand for a higher quota while awarding increases to other members as well.

Such an opportunity is thought unlikely to arise again for at least nine months, raising the possibility of persistent prodnction indiscipline.

Vietnamese leave Cambodia to civil war

By Robin Pauley, Asia Editor, in London

CAMBODIA'S war against Vietnam turned into a civil war yesterday as Vietnamese troops streamed out of Phnom Penh to end an 11-year occupation.

This leaves the Cambodian Government of Hun Sen, which the Vietnamese installed and supported, to fight alone against the three resistance groups, the most notorions being Pol Pot's Khmer Rouge.

Hun Sen, surrounded hy Communist Party colleagues, waved goodbye to columns of Vietnamese soldiers from a dais hy the Royal Palace.

Officials said abont 150,000 people crowded the green in front of the palace and lined Lenin Boulevard, the main street of the capital which is still struggling back to its feet nearly 11 years after the Vietnamese invaded on Christmas Day 1978 to overthrow Pol Pot's government. The regime's policies resulted an estimated 1m Cambodians dead in four years out of a total population of abont 8m.

The crowds waved Cambodian and Vietnamese flags handed out by the antborities, hut the exuberance of the occasion was tempered by anxiety.

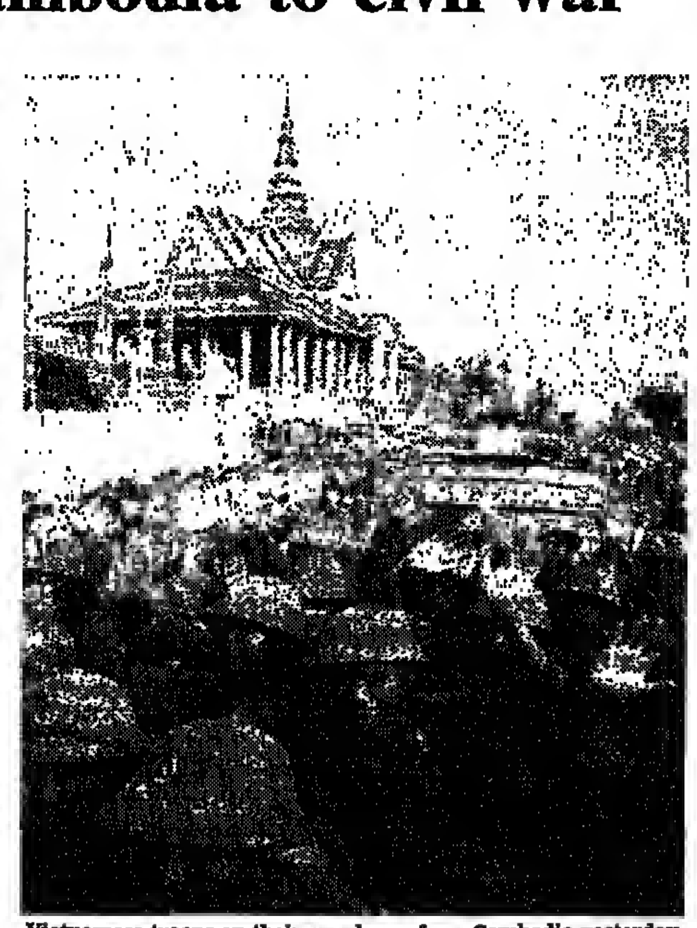
"We must prevent the return of Pol Pot. Our country must never have anything like that again," a student of English told a Reuter correspondent.

Hun Sen expressed his people's hopes at a news conference: "All countries involved in the conflict have promised to stop arms supplies to warring Cambodian parties after the Vietnamese troops are gone. Now they must carry out their promise."

The US and China are the main arms suppliers to the Khmer Rouge. The US appears to be in some difficulty in deciding on a new Camhodia policy and the Chinese seem to have moved away from a previous commitment to reduce military support once the withdrawal was complete.

The Cambodian army, which Hun Sen says is strong enough to resist an expected offensive, was reported to be engaged in skirmishes yesterday against Khmer Rouge and non-communist resistance forces from their bases along the western border with Thailand. Mortar and artillery exchanges were heard in bills just south of the Thai horder town of Aranyaprathet, an area infiltrated by the Khmer Rouge.

Background, Page 4



Vietnamese troops on their way home from Cambodia yesterday

UK Tories adopt team approach to win back voters

By Philip Stephens, Political Editor, in London

Britain's ruling Conservative Party yesterday unveiled its strategy to refurbish the Government'a public image and to emphasise its "team approach" in the run-up to the next general election.

Mr Kenneth Baker, appointed party chairman in July to plan tactics for the election, due by mid-1992, said a new slogan – "The right team for Britain'a future" – would underline the Government's determination to respond to public concerns and the skill and experience of its ministers.

The slogan, which will provide the backdrop for October's party conference, suggests an effort to defuse opposition claims that the Government is totally dominated hy Mrs Margaret Thatcher, the Prime Minister.

Mr Baker denied that there was any attempt to downgrade her role, insisting that Mrs Thatcher was still very much "captain of the team." But his comment that "the emphasis on the team is very important," will he seen as an attempt to broaden the party's support and to prepare for her eventual retirement.

Along with Mr John Major, the Foreign Secretary, Mr Michael Heseltine, the former Defence Secretary and Mr Chris Patten, the Environment Secretary, Mr Baker is a leading candidate for the leadership.

Launching the conference agenda, Mr Baker said the party recognised that "quality of life issues", ranging from the global environment to improving pnhlic services, would dominate the 1990s.

Mr Baker wants the conference to signal the start of a turnaround in the Government's fortunes. In recent months its support in opinion polls has been as much as 10 points behind that of the Labour Party, and the agenda suggests unease among party activists.

THE LEX COLUMN

Seven up against the dollar

While the scale of concerted intervention against the dollar yesterday was highly impressive, its main aim may have been to show a doubting market that the G7 still exists. The question is whether the participants retain their collective zeal when they get home; if not, the unchanged fundamentals suggest that after a few weeks' intimidation the dollar may resume its climb.

But in the meantime, the pressure for higher interest rates in West Germany and Japan has certainly relaxed. Yesterday Japanese bond yields eased a little; and for Germany, looking chiefly to the European currencies and with no real domestic grounds for a rate rise, a dollar rate of DM1.905 seems perfectly comfortable.

If one therefore assumes that German rates are unlikely to go up at the next Bundesbank meeting on Thursday week, the main threat to UK rates comes with today's trade figures. With typical market fickleness, these are back at the centre of attention; and if they are not good enough to compensate for last month's erratically bad figures, sterling may be under pressure again. But tha timing is snch that the authorities may be very reluctant to raise rates in sterling's defence. The party conference looms, and as long as higher mortgage rates are threatened in any case, 15 per cent base rates would in domestic terms be a waste of powder.

For London'a securitiea industry, a good set of trade figures is starting to look a necessity. The problem once again is volume, which for several weeks has been dwindling to seriously uneconomic levels and yesterday sank to much its lowest point so far this year. The market remains becalmed between the opposing forces of fundamental valuation on the one hand, and liquidity and bid activity on the other. Even on down days, no-one is selling. Much more of this, and the next stage of London's capacity crisis will be at hand.

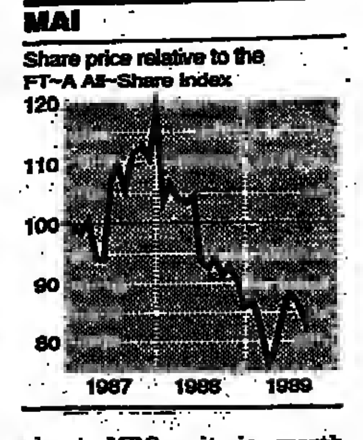
Hays

Hays may seem relatively bold in launching a £150m new issue ahead of water's privatisation, but the risk doubtless seems paltry to a company which announced a management hnyout the day after Black Monday. And after some of the recent bad publicity ahout MBOs, it is worth remembering why they became so popular. In two years, Hays has achieved sufficent profits growth to be able to float, pay off its debts, and end up with a likely market capitalisation of around £450m – 80 per cent higher than the huyout price.

All this has been achieved with a hotchpotch of operations ranging from chemicals distribution via employment agencies to shipping services. Some of the distribution businesses are vulnerable to margin pressure, but the company undoubtedly has several suhsidiaries with growth potential; take, for example, its Britdoc subsidiary, which claims to deliver letters overnight for two-thirds of the cost of first class mail. And Hays also operates in several niche markets where the competition is not too intense and the margins consequently higher. In personnel, it places accountants rather than secretaries; in parcel delivery, it has concentrated on fragile and specialist items rather than trying to take on the likes of TNT.

However, the sheer diversity of Hays consigns it to the conglomerates sector, where premium ratings are only achieved by such as BTR and Hanson. The most ohviously comparable company is BET, which is only accorded a prospective rating of around 11.5, in line with the market. It is hard to see Schroders asking much more than a multiple of 12 for Hays if the requisite premium is to be left for the stags.

MAI



There is rich irony in the way the share price of MAI has behaved in the 11 weeks since it said it was merging its European poster business with France's Havas. The deal was intended, partly, to reveal the value hidden in MAI's media side; hut the day it was announced, the sbares promptly fell 2p to 103p, and have mostly underperformed the market ever since. By contrast, the shares rose 4p to 110p yesterday, when the only news was MAI's creditable but still unexciting annual results, with earnings per share up 3 per cent at 10.3p but still below their 1987 peak.

What the stock market is saying, it seems, is that Mr Clive Hollick's efforts to prod the City into wbat he sees as a proper valuation of MAI, via some deft restructuring, are of much less interest than the solid organic growth in posters and market research. One of his next tricks is to be a separate listing, come 1991, of MAI's market researcb and information services side; and a sizeable part of the £50m cash the group says it has available for expansion is earmarked for that area.

This may or may not be a shrewd idea. The first thing every analyst learns about MAI is that its snb-standard p/e ratio, usually below 11 times historic earnings, comes from the cyclicality of the money and securities hroking operations which still account for close to 58 per cent of pre-tax profits. The trouble is that the share price is unlikely to benefit much in the near term from something which, if the market's response to the Havas deal is anything to go hy, could be something of a non-event in any case.

RJR Nabisco

With the KKR machine's characteristic efficiency, the RJR Nabisco huyout seems to be proceeding to plan. The $1.5bn sale of the Del Monte processed foods husiness to a management-led consortium means the first year target of $5hn disposals has been reached with months to spare. Though KKR professes itself in no hurry to sell more, the right huyer could still pick up the dominant position in the US hiscuit market with Nahisco, or hrands like Planters, Life Savers and Fleischman margarine. It must all look very comforting to Sir James Goldsmith, with one proviso. KKR's immense financial firepower means that it can pick its timing; Sir James, if he does get BAT, will be a man in a tearing hurry.

Sightseeing amid Beirut ruins

Continned from Page 1

closed at 450 to the Lebanese pound, having lost 17 per cent of its valne in one week. Banks that could not provide dollars through tbe worst weeks of the conflict were awasb in green paper. As Gbassan Tayara, a Hamra bank manager, put it: "We need Lebanese pounds now – thank God we got them in before the rush started."

Local entrepreneurs bave been quick to take advantage of peace. There is scarcely s building without broken windows left and the price of 6mm glass has quadrupled from $3 per square meter to $12.

The stream of returnees is flowingback into Beirut after the largest mass exodus from any city in the Middle East in recent years.

A busload of Shia Moslems emblazoned with an Iranian flag spilled women in chadors and men in black shirts of mourning onto the central square in the mountain town of Dar el Kamar: a pause for spring water from the fountain before the descent into Beirut. Across the street from the Hizbollah headquarters in Ouzai, at the southern entry to the city, traffic backed up at the militia check-point that had been abandoned throughout the anmmer. The young pro-Iranian gunmen have also returned, wearing t-shirts bearing the image of Ayatollah Khomeini.

Twenty-seven-year-old Rndi Homaidar and her husband Kamalwere among the tens of thonsands who drove hack into town. After three months living with Kamal's brother in the mountain town of Dfoun, the young conple brougbt their two small children, their posaessions and important papers back to Beirut.

"Every night when the shelling started the baby would scream and the three-year-old hung on to her father and tremhled," Mrs Homaidar recalled. "Finally there was no more electricity or water and there were rumours that the shelling would get even worse. I am happy to be back in Beirut, bnt conditions aren't much better."

The confidence of the Lebanese seeps back slowly. SalwaKhai, 50, a filing clerk, continued sleeping on a neighbour'a floor that was less exposed to shellfire than ber own bedroom for two nights after Gen Aoun accepted the Arab League peace plan. "Last night, I slept in my bed for the first time in a month and a half," she said. "I was so excited I couldn't sleep."

Dollar falls on G7 intervention

Continued from Page 1

However, the real investors, tbe international institutions which move their capital into currencies for the long term, pay little attention to intervention, except to take advantage of the benefits. "Sometimes intervention means fund managers can buy their dollars on the cbeap," said an analyst. "This is the dilemma of central banks: hy intervening they are offering cheap dollars to the market."

US markets reacted relatively calmly to the fall of the dollar in Europe. But combined with a strong report for the first 10 days of car sales in September stock and hond prices fell. Prices for 30-year Treasury bonds were more than a point lower to yield 8.29 per cent, while the Dow Jones Industrial Average fell 22.42 to 2659.19.

US blocks IMF accord to raise new resources

Continued from Page 1

The postponement of the quota decision deferred discussiona on the knotty political problem of Japan'a wisb to move up from number five in the IMF pecking order and replace Britain as the fund's second largest shareholder.

A Japanese proposal for a special quota increase that would have lifted its position in the fund was blocked in the meeting by Mr Theo Waigel, West German Finance Minister. Mr Ryutaro Hashimoto, Japan's Finance Minister, said after the talks that "it won't be an easy task" for Japan to obtain agreement on a new pecking order. However, the Interim Committee agreed guidelines to determine an eventual size and distribution of fund quotas.

The communique said quota increases and changes should maintain a balance between different groups of countries in the IMF and take account of changes in the world economy as well as the relative positions of members since quotas were last raised in 1982-83. The members also agreed that the fund should currently ba abla to carry out its responsibilities including those associated with the Brady plan for debt and debt service reduction.

The Interim Committee agreed that all memhers should receive a meaningful increase in quotas and that uniform rules should govern the quota distribution. It said ad hoc quota increases such as that demanded in the meeting by Japan could form part of an eventnal quota increase.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	Na			Dubrovnik	F	24	75	Malta	S	27	81	Rhodes	S	25	79
Algiers	S	31	88	Edinburgh	R	16	61	Manchester	F	17	63	Rio de J'o			
														35	95
Amsterdam	S	19	66	Faro	S	22	72	Manila	F	32	90	Rome	S	24	75
Athens	S	26	79	Florence	C	24	75	Melbourne	S	13	55	Salzburg	Dr	16	61
Bahrain	S	35	95	Frankfurt	S	17	63	Mexico City	C	24	75	San Francisco	F	14	57
Bangkok	F	32	90	Funchal	C	21	70	Miami	F	28	82	Seoul	S	22	72
Barcelona	F	28	82	Geneva	S	21	70	Milan	S	23	73	Singapore	T	28	82
Beirut		–		Gibraltar											
							79	Montreal	S	7	45	Stockholm	C	13	55
Belfast	C	15	59	Glasgow	C	14	57	Moscow	S	21	70	Strasbourg	F	17	63
Belgrade	F	24	75	Guernsey	S	20	68	Munich	C	15	59	Sydney	S	26	79
Berlin	F	19	66	Helsinki	C	14	57	Nairobi	F	28	82	Taipei	F	33	91
Biarritz	S	23	73	H. Kong	F	31									
								Naples	88	C	79	Tangier	S	27	81
												Tel Aviv	S	28	82
Bombay	F	31	88	Innsbruck	F	20	68	Nassau							
Bordeaux	S	23	73	Inverness	F	14	57	New Delhi	S	31	88	Tenerife	S	25	77
Brussels	S	18	64	Islamabad	F	29	84	New York	S	11	52	Tokyo	S	26	79
Budapest	S	24	75	Istanbul	S	23	73	Nice	S	23	73	Toronto	S	3	37
B. Aires	F	19	66	Jakarta				Nicosia	S	26	79	Tunis	F	27	81
Cairo	S	30	86	Jersey	S	21	70	Oporto	F	18	64	Valencia	F	20	70
Cape Town	S	22	72	Jo'burg	S	20	68	Oslo	C	17	63	Venice	Fg	23	73
Caracas	F	27	81	Lima				Paris	S	19	66	Vienna	S	20	68
Casablanca	S	25	77	Lisbon	S	19	66	Peking	S	23	73	Warsaw	S	21	70
Chicago	S	4	39	London	S	21	70	Prague	C	19	66	Washington	F	10	50
Cologne	F	17	63	Los Angeles	F	18	64	Reykjavik	C	7	45	Zurich	F	15	59
Copenhagen	S	18	64	Luxembourg	T	15	59								
Corfu	S	28	82	Madrid	S	25	77								
Dallas		–	–	Majorca	S	26	79								
Dublin	F	18	64	Malaga	S	26	79								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush weapons proposal

Continued from Page 1

in the first eight years of a chemical weapons treaty the US would be ready to destroy 98 per cent of its stockpile provided the Soviet Union joined the ban.

The US is also ready to destroy all its chemical weapons within 10 years of a treaty, oncs all nations capahle of building such weapons sign that total ban treaty.

Mr Baker and Mr Shevardnadze agreed to exchange information ahout chemical weapons and to inspect each other's plants.

Mr Bush's proposal reflects the reported view of the US Joint Chiefs of Staff that an agreement should be pursued with the Soviet Union as an alternative to completing a global ban which will be difficult to reach and verify.

The State Department has, however, favoured a joint US/Soviet initiative as a way of securing wider agreement.

One of Mr Bush's central themes was the progress of democratic reform, not only in Eastern Europe but in other regimes in Latin America and Africa.

SECTION III

FINANCIAL TIMES SURVEY

Free market economics and new technologies have boosted economic growth. While many problems remain, the world economy is sailing towards the new decade in a more buoyant mood, writes **Peter Norman**.

Illustration by David Worth

The World Economy

Hope for a better future

THE 1980s look set to go out on a high note.

The decade began with the world economy reeling from the inflationary oil price increases of tha 1970s and entering a severe global recession. It is ending with the industrial countries looking back on one of the longest periods of growth since the Second World War.

A decade ago, few observers would have placed bets on the past 10 years witnessing a renaissance of free market capitalism. But for all their imperfections, Reaganomics and Thatcherism have proven triumphant.

Hungary, Poland and even tha Soviet Union are moving towards more liberal economic systems while thousands of refugees from East Germany have voted with their feet against hard-line Communism and risked all to move West.

There are, of course, a multitude of problems that remain. Despite growth, unemployment continues to affect nearly 28m people in the industrial world and is chronic in the slums and shanty towns of the Third World. Abject poverty is a seemingly intractable, running sore in much of sub-Saharan Africa, Bangladesh and many other developing countries. Protectionism remains a continuing threat to the growth of prosperity in both rich and poor nations. Much remains to be done to resolve the Third World debt crisis, now in its eighth year.

However, this year has seen a growing belief among policy makers, especially in the industrial world, that some of their earlier concerns may be on the mend. Symptomatic of the new mood was the way this year's economic summit in Paris of the Group of Seven leading industrial nations concentrated on the long-term environmental threats to the future welfare of the planet and barely touched on issues of economic crisis management.

Inflation seems less of a threat than it did only six months ago. The chances of a new recession are slight, according to the latest World Economic Outlook from the International Monetary Fund. The large imbalances between the US current account deficit and the West German and Japanese surpluses, which have filled economists with foreboding throughout the 1980s, appear less laden with danger to financial markets and policy-makers alike.

"The only thing I really fear is complacency," a senior G7 finance ministry official admitted recently.

In marked contrast to the early 1980s, the leading industrial powers have demonstrated their ability to work together. Admittedly, G7 policy co-ordination can be overridden by national interests. For example, the notion of keeping exchange rates stable agreed in the Louvre Accord of February 1987 has evolved into a more flexible approach in which market forces are some times given their head in preference to costly central bank intervention.

But anybody doubting the effectiveness of co-operation among the Seven need only reflect on the world's successful recovery after the global stock market crash of October 1987.

The same spirit of co-operation rather than confrontation is apparent in the way many developing countries, including most of the heavily indebted nations of Latin America, now view their relations with the industrialised world. For all the criticism levelled at tha debt reduction programme of Mr Nicholas Brady, the US Treasury Secretary, it symbolises a determination on the part of the industrial and developing countries to tackle the debt crisis jointly.

This improved tone in the world economy owes e great deal to economic growth. Last year, output in the industrial countries not only expanded by a strong 4.1 per cent in real terms but was based on a healthy hroad-based surge in fixed investment hy businesses. This holds out the hope of steady growth in the years ahead.

The industrial country expansion was matched by a 4.2 per cent gain in the overall gross domestic product of the developing countries, one of the highest growth rates of the past 10 years.

Here, however, there was a marked variation between the performance of the various country groups. The newly industrialising countries of Korea, Taiwan, Hong Kong and Singapore grew by almost 10 per cent. Investment and growth have stayed weak in the heavily indebted nations of Latin America and most of sub-Saharan Africa, where per capita incomes continne to decline.

For this year, the Paris-based Organisation for Economic Co-operation and Development has projected a still rohust 3.25 per cent growth for the 24 industrial countries that make up its membership. Looking ahead to next year, both the OECD and IMF see industrial country growth continuing at between 2.75 and 3 per cent.

KEY ECONOMIC INDICATORS
— see page 2

Ahont 18 months ago, it became epparent that strong growth was fuelling a resurgence in inflationary pressures that prompted a general tightening of monetary policy in the major industrial economies. That growth is continuing, while inflationary pressures appear to have eased, suggesting that the action taken hy the world monetary authorities to curb inflation has not yet choked off investment.

In the US, Mr Alan Greenspan, the chairman of the Federal Reserve, appears so far to be successfully "fine tuning" the economy onto a disinflationary path while evoiding the perils of recession.

In Britain, where Mr Nigel Lawson, the Chancellor, nearly douhled bank base rates to 14 per cent in the year to May to clamp down on retail price infletion that rose to more than 8 per cent, there has been remarkably little sign so far of a generalised investment slowdown.

In West Germany, which tightened policy as inflation rose towards 3 per cent, officials are suggesting that the country could achieve its highest growth rate of the 1980s this year. German gross national product grew at an annual rate of 4.9 per cent in the second quarter of this year, the highest rate since the first quarter of 1980. However, inflation eppears to be slowing: to an annual rate of 2.9 per cent in August after 3.0 per cent in July.

Of the top five economies, only Japan, where the Government has been paralysed by a series of political scandals for much of the year, has still to bite the bullet of tighter monetary policy. Japanese domestic growth is strong and demand-led, giving a push to inflation.

While other countries may only have to remain vigilant as far as inflation is concerned, Japan may have to act.

The battle against inflation is not painless. Some countries, like Britain, face e fairly bleak short-term economic future. But it seems possible that most major industrial countries will manage to curb inflation without tipping into recession. If so, that could tell us something abont improvements in the efficiency and responsiveness of the world economy during the 1980s.

In the industrial economies, there has been a rapid spread of technological innovation, especially of information technology, while governments have focused on promoting supply-side and structural reforms.

For a long time, the fruits of such efforts have been slow to appear. The OECD reported earlier this year that there were "major gaps between stated objectives and achievements" and a "great deal of

Continued on page 12

CONTENTS

■ Changing attitudes towards public spending and state ownership: the new liberalism — and a revival of protectionism
■ *How the world economy has changed.*
Page 2

■ US prospects: tha risk of recession remains.
■ Profile: Alan Greenspan.
Page 4

■ A golden age for Japan.
■ Profile: Mekoto Utsumi.
Page 5

■ European economic and monetary union.
■ Eastern Europe.
Page 6

■ West Germany: another robust performance.
■ Profile: Karl Otto Pöhl.
Page 7

■ Britain's economy: uncertainty prevails.
■ Profile: Sir Alan Walters.
■ Frence: the cycle of expeneion continues.
Page 8

■ The economics of the environment: the global sink.
■ Skill shortages and population trends.
Page 9

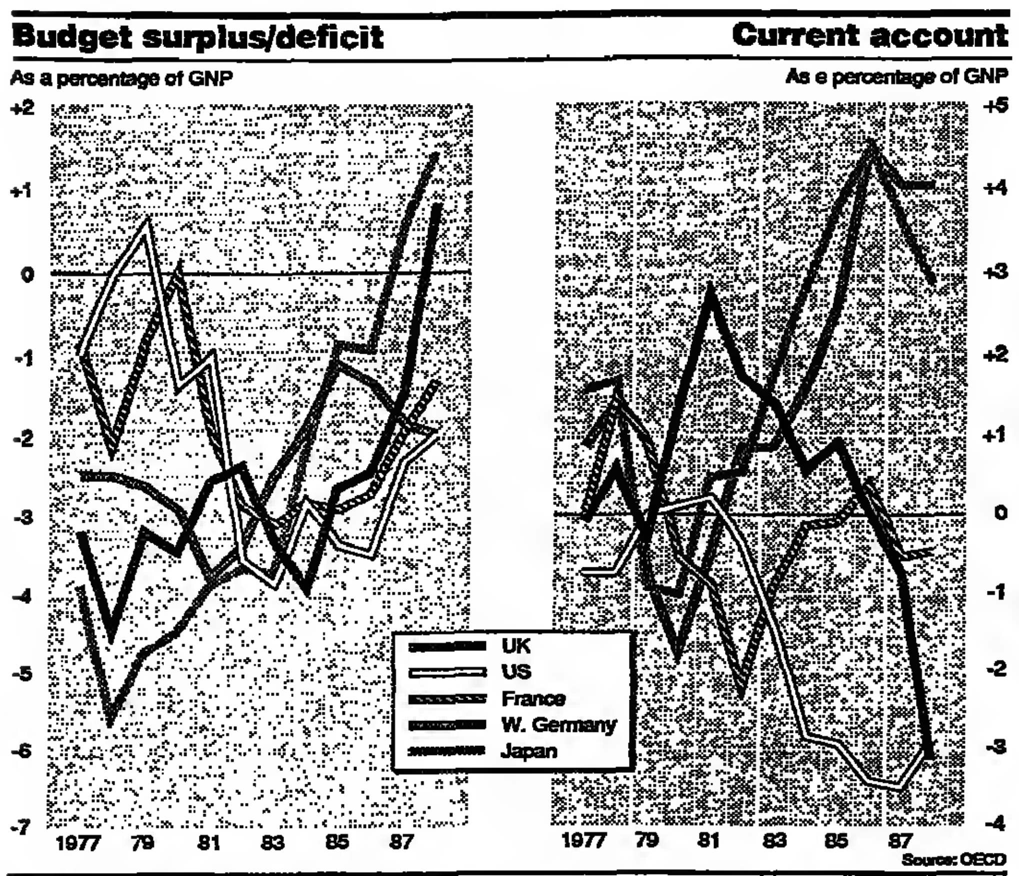
■ New internetionel debt Initiative: e watershed year.
■ Debete over troubled African economies.
Page 10

■ African case study: progress in Meuritius.
■ international trade.
Page 11

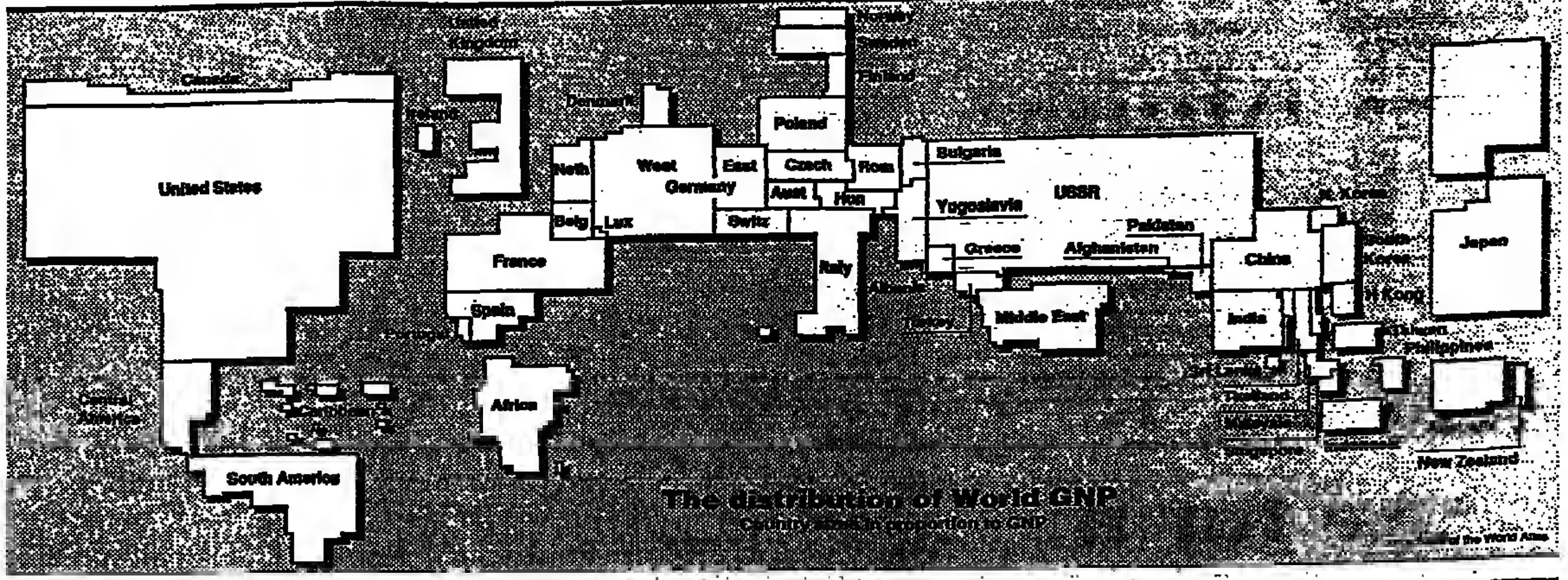
■ Finencial markats.
■ World equity markats: caution is still the watchword.
Paga 12

Editorial production: Michael Wiltshire

The economic indicators that matter most



■ THE TWO DEFICITS: The last few years have been disturbing for those who believe there is a simply relationship between fiscal policy and the current account of the balance of payments. After great divergence in the late 1970s and early 1980s the fiscal positions of the members of the Group of Five industrial countries converged. Most have also shown some improvement since the mid-80s, especially those of the UK and Japan. Only West Germany's fiscal deficit has increased since 1985. Yet it is West Germany that has the most stubborn current account surplus. By contrast, the UK has apparently done everything right fiscally, but its current account deficit surpassed even that of the US, as a share of gross national product, during 1988.



How the world has turned

THE ECONOMIC world is nothing like the maps with which everyone is familiar. Western Europe bulks as large as the rest of the Eurasian land mass. The UK is as large as Africa. Japan is larger than the rest of eastern and southern Asia combined, while the US dwarfs Latin America.

But relative weights have been changing, most strikingly with the rise of Japan. In 1965, Japan accounted for only 5.2 per cent of gross world product (here excluding the eastern European countries).

By 1987 that share was nearly 16 per cent. Surprisingly, the US share in gross world product has hardly changed since the mid-1970s, following its earlier fall, while the shares of the major western European countries have also changed rather little

REPORT BY MARTIN WOLF

Research by Sue Cockerill; graphics by Bob Hutchison and Paul Saunders

(though there have been interesting changes among them).

For those worried about the environmental sustainability of economic growth, world commodity output rose almost threefold over a quarter of a century, despite the downturn in the early 1980s. At that rate it would rise 31 times in a century.

As has been the case ever since the Second World War, manufacturing output has grown faster than commodity output as a whole, while world trade has risen faster still. The world economy gets bigger and more integrated all the time.

More and more of it is in east Asia, too. The growth of Japan's share in gross world product, as measured in market prices, has much to do with movements of exchange rates. Japan's share of world exports of manufactures has also risen since the early 1970s, though modestly, from 10 to 13 per cent.

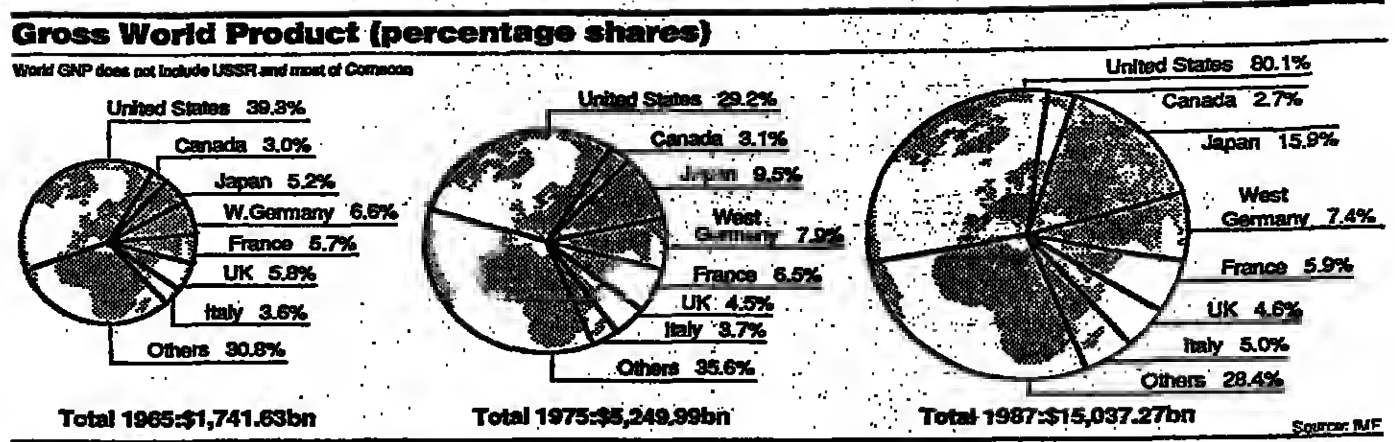
The east Asian newly industrialising countries have been the great success. Their share of world exports of manufactures grew from 3.7 to 9.1 per cent in just 14 years. None the less, the members of the European Community (here shown with internal trade included) remain the dominant exporters of manufactures (and would still be the largest if internal trade were excluded).

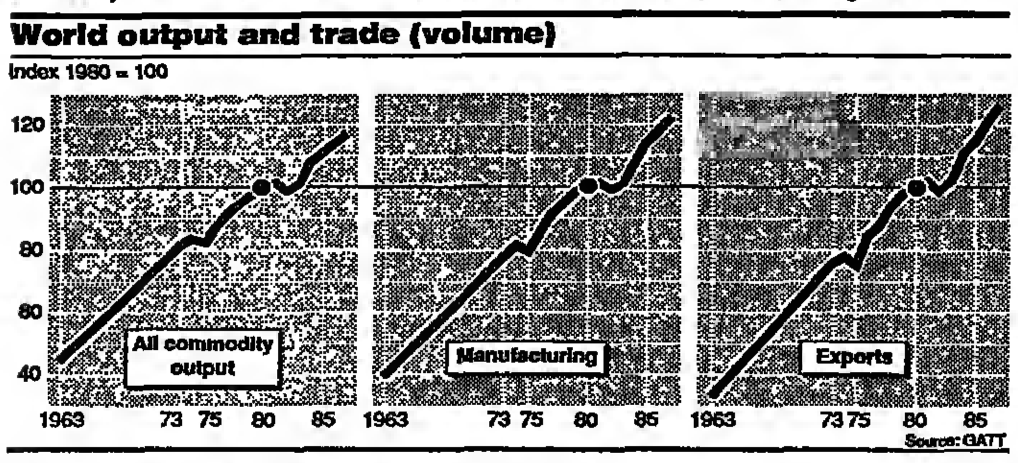
Alongside the longer term trends, the last two decades have seen considerable economic instability, with particularly devastating consequences for commodity exporting developing countries. Perhaps the most striking single indicator of that instability is the price of oil. The real oil price is now below the level reached after the first oil shock and only a third of its peak during the second oil shock. The market has triumphed over the "oil shortage". It has wreaked havoc in the process. The terms of trade of the oil exporting countries have gone over an extraordinarily steep roller coaster. Many of them are now in dire straits. As might be expected, the terms of trade of the industrial countries have moved inversely with those of the oil exporters, but far less steeply.

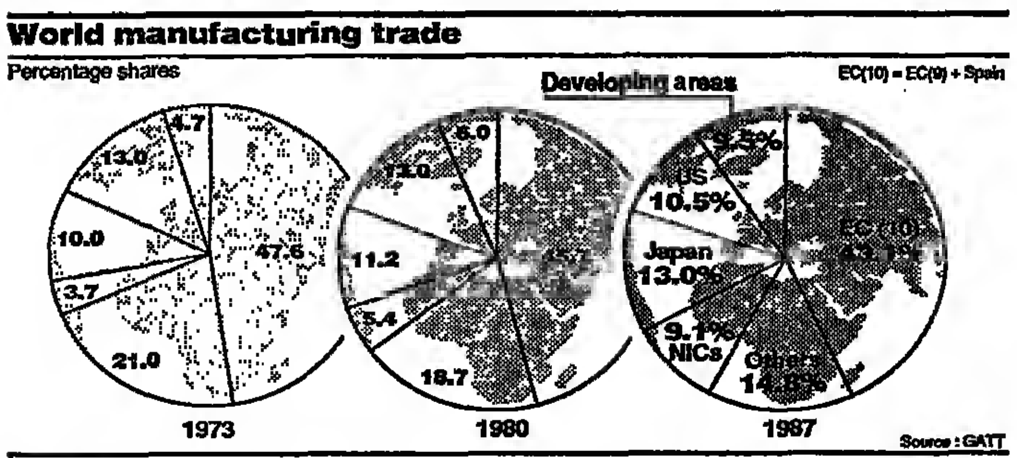
Meanwhile, for non-oil developing countries things have gone from bad to worse. The purchasing power of their exports fell by about 20 per cent between 1970 and 1987.

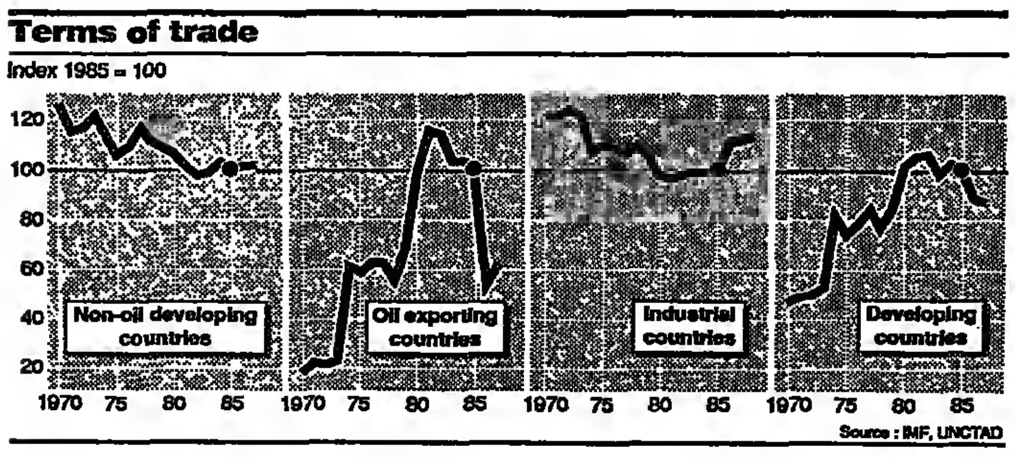
The dismal behaviour of the terms of trade of the non-oil developing countries reflects the fall of commodity prices. Between their peak in the years preceding the first oil shock and 1987, real commodity prices (excluding fuel) fell by almost 50 per cent, before a small recovery in 1988.

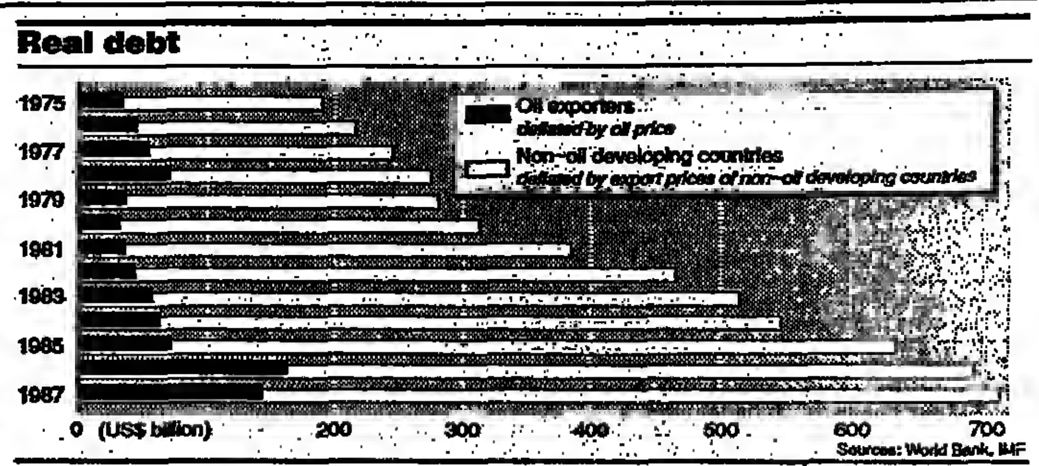
It was the fall in the real price of commodities (including oil) that, along with the high nominal rates of interest of the early 1980s, raised real interest rates on developing country debt to levels of much more than 10 per cent and produced the debt swamp in which so many countries remain mired.

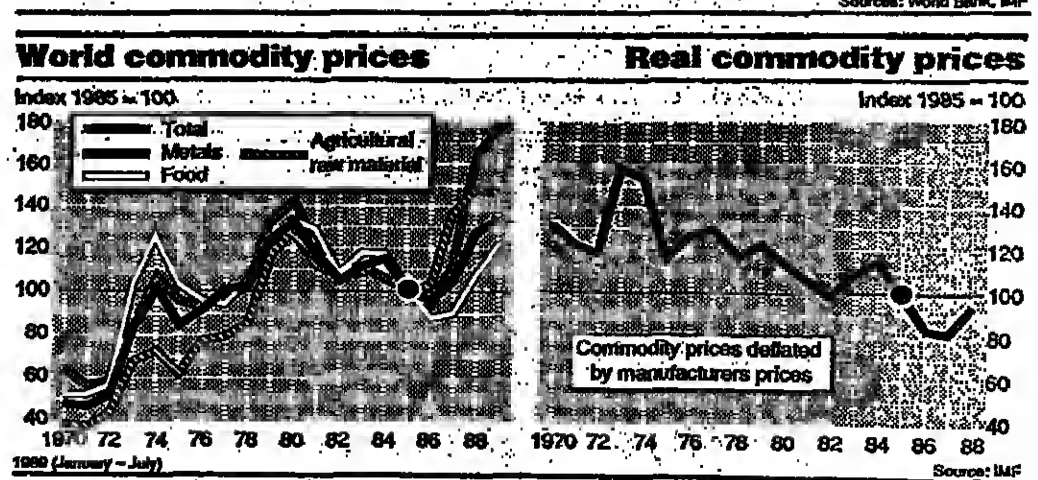


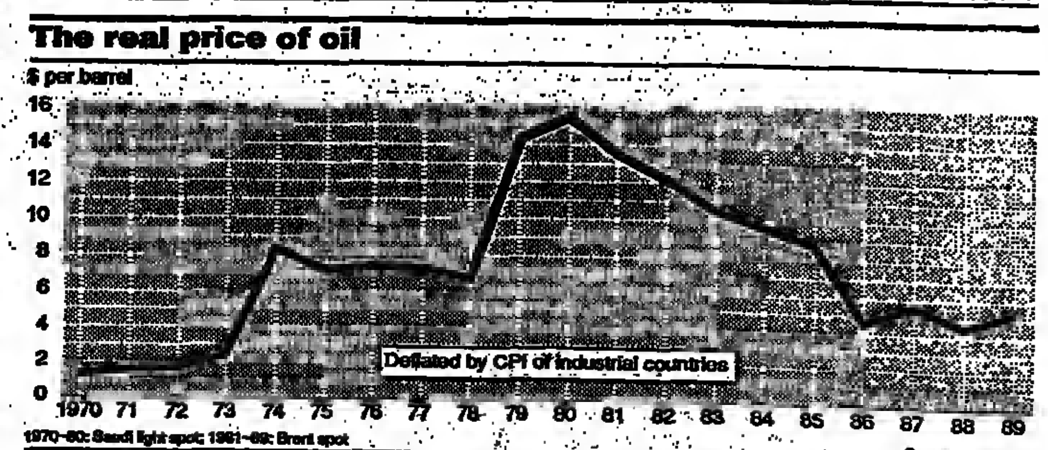












Simon Holberton examines changing attitudes towards public spending and state ownership

The new liberalism — and a revival of protectionism

THE RECUMBENT figure of William Ewart Gladstone, that stern 19th century benefactor of good government, was the unlikely image chosen to grace the Treasury's Christmas card

Like most images, it has its own symbolic importance (though not one obviously associated with the season of giving). The Gladstonian Trinity of public finance – retrenchment, neutrality and balance – has Mr Nigel Lawson, the Chancellor, as a fervent believer, with a growing commitment to economic liberalism and free markets.

These ideas have energised much of the economic and public policy debate in Britain and, more broadly, throughout the leading industrial democracies in the 1980s. They have had a powerful effect on the behaviour of governments toward state ownership and industrial assistance, and the regulation of labour and financial markets.

In the area of public finance, most of the members of the Organisation of Economic Co-operation and Development have attempted to rein in public expenditure and cut budget deficits. Some have been more successful than others; few would now go to their respective electorates on a platform of higher government spending based on deficit finance.

In the aggregate, members of the OECD have during the 1980s contained the growth in government spending and may have even reversed what seemed like an inevitable march towards ever-greater consumption by the state. Most have attempted to simplify the taxation of individuals and companies and in many instances rates of tax have been reduced. Here too the growth in the share of taxes to national income may have stabilised.

Of all "markets", the finance sector has been the biggest beneficiary of the new liberalism. New, virtually unregulated markets, such as futures and options, have blossomed. The rich countries have opened their borders to foreign financial institutions. Restrictions on banks' ability to lend and take deposits has been relaxed so that in 1989 the ability of individuals and companies to use the financial system is as free and uninhibited as it has ever been.

The great inflationary shock of 1979 (occasioned by the second oil price rise which occurred in that year) and the resultant recession of 1980-81, threw labour market rigidities into high relief. The inflexibility of wages is seen as one of the main causes for the substantial rise in unemployment that occurred at the beginning of the decade.

In some countries, notably the UK, the response of government has been to outlaw certain practices and make strikes more difficult to conduct. In

Rich countries have welcomed foreign financial institutions

others, such as Australia, a reduction in real wages has been delivered through agreement.

Questioning the role of government in economic affairs has been a key aspect of the 1980s. In countries where public ownership has been high, there has been a conscious policy of privatisation. Britain, Japan and France have led the move towards the sale of state-owned companies to the private sector. In Austria and Portugal, privatisation is under consideration, but in West Germany and Italy it has had little tangible impact on public policy.

All of these reforms mark a distinct shift in the behaviour of the state and have been seen as positive for the economic development of the rich countries. They have been wide-ranging, but they have not created a new order.

But in the area of international trade, the world's trading system is noticeably less free than it was 10 years ago. Non-tariff barriers to trade, which in many cases amount to no more than bureaucrats carving up markets, have grown. As Mr David Henderson, head of economics and statistics at the OECD, has noted, the mercantilist belief that exports are good but imports are bad has taken root.

The growing concern in the US and Europe that they are losing the race with the Japanese and the newly industrialising countries, predominately in south-east Asia, has spawned not only a revival of protectionism unrivalled since the 1930s but a flirtation, in the West, with industrial policy.

It is not difficult to see the attraction of industrial policy, especially in the US where many of its leading academics and commentators locate Japan's success in the close relationship between Japanese industry and agencies such as the Ministry of International Trade and Industry.

The perceived loss of many US industries' "competitive edge" – to use a phrase associated with this analysis – is fuelling the call for more government assistance to industry.

US manufacturers have seen their dominance in industry after industry lost to foreign competition. In more and more cases they are calling on government to provide for them, either through increased protection or through the use of taxpayers' money.

According to US Commerce Department estimates, US producers of semiconductors have seen their share of the US market fall from 89 per cent in 1970 to 64 per cent by 1987. In machine tools, where US producers supplied all domestic needs in 1970, American manufacturers accounted for just 40 per cent of domestic sales in 1987. A similar tale could be told of television sets and hi-fi equipment, telephone sets and machining centres.

The US Congress has responded to the so-called threat to the US semiconductor industry by sponsoring Sematech, a consortium of 14 semiconductor producers which have combined to improve manufacturing technology. The US Government this year will contribute $100m to the venture.

Congress is also under pressure to sanction government support for the development of a US high-definition colour television industry. According to reports, other industries lining up for assistance include x-ray lithography, random

European voters increasingly worry about the environment

access memory chips and new generation materials, such as ceramics.

The reforms of the 1980s have had little effect in promoting a more liberal trading system and, for all their market-relatedness, they have been slow-working in engendering confidence among government and, to a lesser extent, industrialists in free and open markets.

Also, as a new decade dawns, it is already clear in the major industrial democracies that deregulation and non-interference cannot answer all the problems facing society. The threat posed by the environmental degradation of the planet is steering governments towards a middle way between *dirigisme* and free market economics.

Failing another destabilising shock to the world economy, which like the 1979 oil shock marginalised the environmental movement, one of the major challenges facing the economic policymakers in the 1990s will be arresting the destruction of the planet.

Public opinion surveys show that the environment comes a very close second to unemployment in the list of things which worry European voters most. But checking the deterioration of the environment poses large problems for governments dedicated to minimising state interference in the free operation of markets.

The scope of the issue was amply underlined by the heads of government of the seven leading industrialised countries at their summit meeting in Paris this July. The environment occupied a third of their communiqué.

The problems are largely international, as with acid rain in Canada and Scandinavia where the source of the pollution is outside the jurisdiction of the country affected. Where the problems are local, as in the case of the deforestation of Brazil or the destruction of wildlife in Africa, the rich countries have foundered in their attempt at a coherent response.

But where governments can deal with the problem there are signs that they are looking for market-based solutions, not outright prohibition. This so-called "economic approach" seeks to charge the polluter, or use the taxation system to discriminate in favour of certain types of product. The differential rates of tax on leaded and unleaded petrol in many countries are a case in point.

For the past 10 years the major economies of the world have sought ways of returning to non-inflationary and stable economic growth. They have pursued these policies through the application of largely market, or market-modified, means.

This market approach has had a notable lack of success so far in the area of international trade policy; it is largely untested in the area of environmental protection. Lack of progress on the former threatens to unwind many of the policy successes of the 1980s which have promoted growth and prosperity; failure in the latter may have even more serious consequences.

Anthony Harris looks at US prospects

The risk of recession remains

IT IS only seven weeks since Dr Rudolf Penner, an economist of Republican leanings and a former director of the Congressional Budget Office, told the Senate Banking Committee that the US economy was "teetering on the edge of recession."

At the same hearings Mr Alan Greenspan, the chairman of the Federal Reserve Board, said that he regarded the threat of recession as greater than that of inflation, and that monetary policy had been eased on this account. In spite of this, Mr Richard Darman, the Budget director, used a television interview to accuse the Federal Open Market Committee of over-caution, and to urge it to cut rates further.

Under the normal rules, any disagreement between the Administration and the Federal Reserve is kept strictly private, and never more so than when the Fed is already moving to accommodate Administration worries.

Mr Darman's oddly-timed breach of this rule, tacitly supported by the President, seemed to be addressed to the increasingly influential presidents of the regional Federal Reserve Banks. All the same, it was most commonly read as an advance alibi: should a recession occur, threatening both the budget plans and the Administration's mid-term election hopes, the Fed would be in the dock.

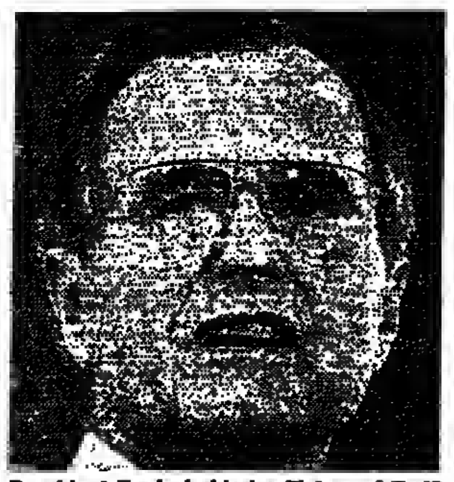
Industrial production

Since this episode, official statistics seem to have made nonsense of any recession fears; but surveys of manufacturing industry have tended to underline them.

The official estimate for real growth in the second quarter has been revised up a full point to a healthy 2.7 per cent annual rate; industrial production has started to grow again, albeit quite slowly, housing and car sales have revived, and although non-farm employment growth is sharply down from the 300,000 monthly rate of 1988, this is partly because the labour force is no longer growing so quickly. Unemployment is still within a tenth of a point of a seven-year low.

All these, however, are historic or lagging indicators; and the forward view is not nearly so encouraging. The purchasing managers' index, an industrial survey which is considered reliable enough to figure in the official index of leading indicators, has fallen precipitately for four successive months; unless there is an early bounce-back, it is now signalling a recession in the economy as a whole. The survey of plant managers tells much the same story, and so do the Department of Commerce figures for order books; apart from the booming aircraft industry, with its long lead times, unfilled orders have now been falling for five months.

The forward-looking picture is not all black. Weaker demand has caused a startling turn-round in industrial input prices: these have been rising only slowly since the start of the year, and are shown in the latest purchasing survey as actually heading downwards. Export orders have remained strong, despite worries



President Bush: behind criticism of Fed?

about the dollar's rise in recent months, so an improved real trade balance should make a strong contribution to growth in the second half of the year. All the same, the picture is not nearly as bright as the markets seem to have been assuming.

The main strain of weaker demand growth has so far has been taken in the real estate market, and in profit margins much more generally. Despite the revival in house sales – still far below the level of earlier years though there has been a sharp recovery since May – average prices were last reported more than 5 per cent down on 1988. What is more, this now seems to be built into the market psychology. Buyers regard asking prices as a starting point for bargaining, and an annual survey of executives, asking them to choose the most desirable cities to live in, shows a marked change.

In 1988 the executives tried to choose those places with the best chance of property appreciation; this year, they simply went for low prices. Inflation psychology in this market has simply vanished. The well-informed people who answered the questionnaire may well have been impressed not only by the buyers' market of recent months, but by a widely-publicised study by the National Bureau of Economic Research (NBER). This argued that unfavourable demography will depress the house market until at least the end of this century.

This is significant for the whole economy. In the US, as in Britain, consumer borrowing is largely supported by rising equity values in house property; it is no coincidence that the growth of consumer credit has also slowed markedly. The NBER study suggests that consumer borrowing may also be restrained for a long time to come. It also re-inforces other arguments, based on lifetime patterns of income and expenditure, to expect a strong demographic rise in personal saving over the next few years.

The main expected impact is in the car market. The sales revival in August was secured only by massive discounting, with cheap or free credit, or price cuts of 10-15 per cent. The industry has now succeeded in unloading its excessive stocks of 1989 models, but fears that these sales are largely stolen from 1990. Faced with possible market saturation and rapidly growing competition from Japanese "transplants," the US-owned makers have cut production schedules for the last quarter of 1989 to 16 per cent below their 1988 rates.

Consumer caution is discouraging news, too, for the whole retail sector. Retailers are already suffering sluggish growth and a painful squeeze on profit margins, which are now down to little more than 1 per cent on sales.

The most recent national income figures show that the profits squeeze is now becoming general, and is spreading. Some sectoral problems have been apparent for many months – for example in metals and in building materials, reflecting the downturn in motors and construction. Now the pressures are more general: the market for paper, the most widely-used of all inputs, has softened, and in the last few weeks the airlines have rolled back planned fare increases, because business travel is well below expectations.

Cautious business spending is also probably an important explanation of the sad state of the computer industry at present; but it is certainly not the only one. This is an industry which has tripped over its own rate of progress. Current desk-top and workstations have the sort of power that was available only on large mainframes a few years ago, and most users are now beginning to learn how to put it to work.

Surge in exports

This mixture of consumer restraint and sectoral problems is not in itself enough to cause an outright recession, though the fragile financial condition of many companies after the flight into debt of recent years obviously increases the risk. The continued surge in exports, still rising at an annual rate of more than 17 per cent, and the strength of spending on aircraft and industrial equipment – justified by efficiency returns as much as by any hope of market growth – could stabilise manufacturing; and this is in any case only a quarter of the whole economy.

Farming has recovered from the drought; and services continue to grow. Service growth is not all gain – the insurance industry, for example, is spending more and more on attempts to check the excessive rise in medical costs. All the same, it does provide a stable support for incomes and employment. Since the second quarter national income revision, Dr Penner would no longer argue that the economy is close to the edge; but he would probably support Mr Greenspan's view that recession remains a greater risk than resurgent inflation. It would not be prudent for anyone else to dismiss that risk.

Profile: Alan Greenspan

Fine-tuning on the Fed trapeze

THE MOST frequently used, and therefore most influential, description of Mr Alan Greenspan's two-year tenure as chairman of the US Federal Reserve is that he has been engaged in a balancing act.

Whether seen as juggler or high-wire performer, he has been presented as carefully balancing the need to hold down inflation with sustaining economic growth. The verdict so far from both Wall Street and Washington has been generally favourable. He has not lost his balance.

Yet the more revealing part of this image is its implication of close involvement, of having to watch everything carefully to avoid an upset. Mr Greenspan is no detached strategist, setting goals for the growth of the money supply a year or two ahead and letting the markets do the rest.

Reflecting his more than 30 years as a highly successful economic forecaster and consultant, he is very much a hands-on operator – watching the screen in his office to assess market movements and forming his own view on the economy from the basic data.

Listening to one of his regular testimonies to Congress is like being part of a seminar on the economy. Open-minded and undoctrinaire, Mr Greenspan discusses what particular indicators such as delivery delays, order backlogs and various earnings data show about the level of activity and the extent of inflationary pressures.

Within the Federal Reserve his desire to find out what is going on has been reflected in a relaxed and informal style of operation, seeking and welcoming the views of junior staff. This is in contrast with the more hierarchical approach of Mr Paul Volcker, his predecessor for eight years.

The Greenspan era has in part seen a revival of fine-tuning – not in the Keynesian sense of altering levels of government spending and taxation in relation to reported economic movements, but rather a constant re-assessment of the latest data to see whether the monetary stance is correct in respect of the objective of non-inflationary growth.

After all, the fiscal side of the picture is the responsibility of the Administration and of Congress; Mr Greenspan has been impeccably conservative in repeatedly urging reductions in the budget deficit, preferably through cuts in expenditure rather than higher taxes.

Since he was appointed in August 1987, Mr Greenspan has

Greenspan: a balancing act

shown considerable sensitivity about changes in the economy. After the October 1987 stock market crash, he moved quickly to offer reassurance that the Fed would provide any necessary liquidity to prevent collapses in the system.

Similarly, the Fed reacted firmly in response to fear of rising inflation during 1988, even raising interest rates just before the Republican convention in August that year. However, after the election of President Bush in November and especially following his inauguration, tensions began to develop over whether the Fed had tightened too much.

Mr Greenspan has had two other factors in his balancing act – his own fellow governors and regional bank presidents on the policymaking Federal Open Market Committee (FOMC) on the one hand and the Administration on the other. By temperament a consensus builder, Mr Greenspan has preferred to win general acceptance for a course of action even if it means delay.

The FOMC has been divided over underlying policy priorities for much of Mr Greenspan's time. Many of the regional bank presidents have favoured a tough line on inflation, even if it means higher interest rates and a weaker economy.

By contrast, many of the Washington-based governors have been more concerned with sustaining economic growth. Governor Wayne Angell has argued that "the interesting thing about the politics of monetary policy is that you tend to have perennial bulls and perennial bears – but, in terms of making policy, the middle group decides."

In practice, of course, there has generally been a spectrum of views and Mr Greenspan has sought to ensure overwhelming support from all groups before policy changes. This occurred in late May and early June when, in face of growing evidence of economic slowdown, there was stalemate after two discussions even though Mr Greenspan had sufficient votes to win.

It required further economic statistics pointing to a slackening in activity for him to persuade the regional presidents to agree to relax policy.

Similarly, while there have been disagreements on timing and emphasis with the administration, Mr Greenspan has sought to play down such disputes. He has refused to respond to complaints by Administration members that the Fed is being too cautious and thus risking a recession.

In general, these have been phrased in terms of "it would be wrong if this happened but I am sure it won't," though in mid-August Mr Richard Darman, the budget director, was more blunt in criticising the Fed for being too obsessed with fighting inflation.

Mr Greenspan has avoided such fights, publicly anyway, partly because of his strong Republican credentials. Since January he has kept in close touch not only with President Bush but also, in particular, with Mr Nicholas Brady, the Treasury Secretary (with whom he breakfasts weekly), and with Mr Michael Boskin, the current chairman of the Council of Economic Advisers.

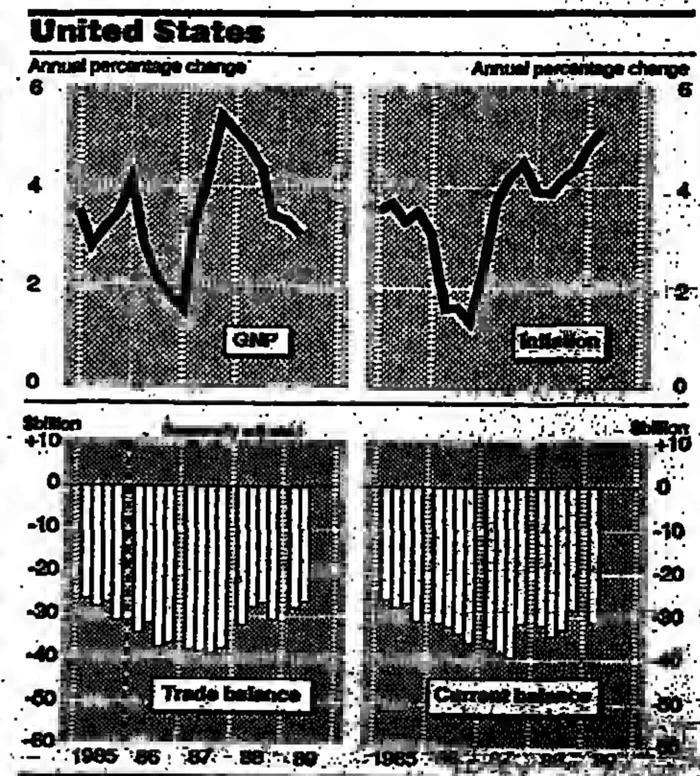
However, this relationship now faces its critical test. The Fed believes a period of slow growth – probably around 1.5 per cent at best next year – is both likely and desirable to ensure that inflation remains under control.

This would be the much-heralded soft-landing, permitting continued growth without a resurgence of inflation, though some critics agree with the regional bank presidents that Mr Greenspan has been prepared to tolerate too high a level of inflation.

But not only does the Administration want somewhat faster growth, partly to help reduce the budget deficit, but it also fears that the Fed's actions in 1988 and early 1989 in tightening monetary policy may result in even slower growth, and possibly even a recession, despite the signs of stronger activity in recent weeks.

This balancing act will crucially determine Mr Greenspan's reputation.

Peter Riddell



The economy could expand by another five per cent this year

A golden age for Japan

THE JAPANESE economy, which has provided much of the impetus for world economic growth in the 1980s, looks set for at least another year of expansion.

Although the economic locomotive is showing some signs of strain as the current business cycle nears the end of its third year, there is also plenty of evidence that, barring unforeseen shocks, Japan has enough strength left in reserve to overcome the likely domestic difficulties, of which the most important is the biggest labour shortage for 15 years.

There are, however, two serious imponderables. The first is the country's political crisis, which has so far had little direct impact on the economy but which might yet effect it in significant ways. Mr Naoya Takebe, an economist at the Industrial Bank of Japan, says the risk is that the crisis might undermine business confidence – but it hasn't yet and it's hard to see exactly how this would happen.

The second imponderable is the possibility of an external shock, particularly the risk of an unexpectedly sharp recession in the US. The current economic expansion is already the second longest since the Second World War, exceeded only by a five-year-long period of sustained growth in the late 1960s.

The late 1980s have turned into an economic golden age for Japan in which the country – after learning to cope with the disadvantages of a sudden rise in the value of its currency – is revelling in the benefits. After growing at 5.1 per cent in the financial year to last March, the economy is showing only slight signs of slowing down.

Private economists forecast that the economy will expand by another 5 per cent in the current year, well above the government's official target of 4 per cent. The Industrial Bank of Japan, for example, forecasts 5.8 per cent.

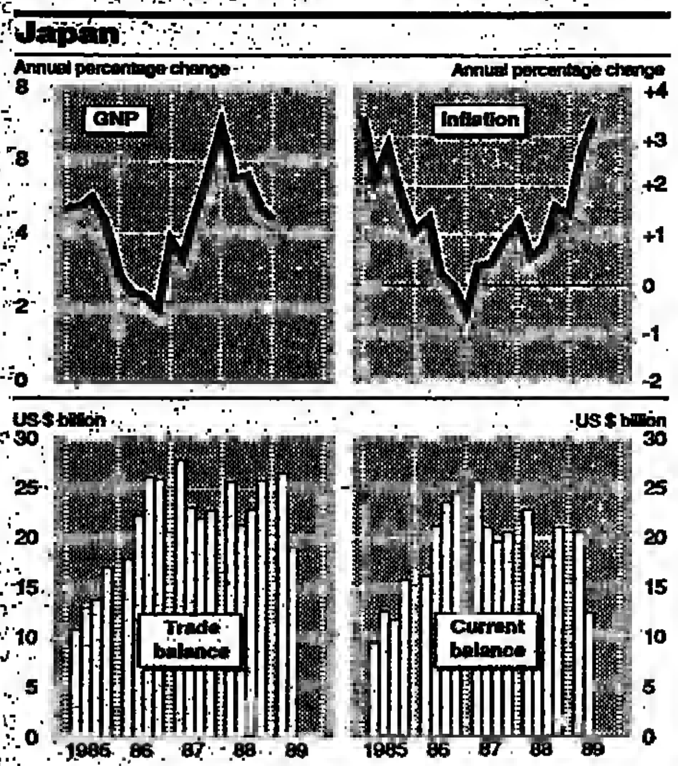
In the following year, some slow down is expected, mainly because slower growth in the US economy is forecast, but few economists believe the rate will fall much below 4 per cent, as long as there are no nasty surprises. Private consumption has slowed slightly, although

Money dealers at Tokyo's foreign exchange market.

the pattern is unclear because of the introduction in April of a consumption tax which made some people either accelerate or postpone purchases.

Car sales have been particularly strong, so have sports goods; but household appliances and consumer electronics, especially video recorders have been relatively weak. However, capital spending by industry remains very high: the Long Term Credit Bank expects an increase of 12.9 per cent this financial year, following a 15 per cent hike in 1988.

The bank says it has recently revised its forecast upward by the highest margin this decade – "an indication that the will to invest is very strong in Japanese companies." Some of the investment is in improving the output of existing products. The carmakers are installing so much new capacity, for example, that the Ministry of Trada and Industry has urged them to slow down. Funds are pouring into factory and office automation.



But the proportion of investment for developing and making new prodncts bas never been higher – especially in the electronics industry, which has taken over from vehicles, as the engine of the manufacturing economy. For example, virtually every leading electronics combine is now establishing production lines for 4M-bit D-Ram chips – the new generation of memory devices, which will replace 1M-bit D-Rams, which were themselves launched only in late 1987.

Mr Ken Courtis, senior economist at DG CApital Markets, a subsidiary of Deutsche Bank, says Japanese companies were on the verge of another industrial revolution – one which would see tha focus of industrial innovation moving increasingly from Western countries to Japan.

The main domestic economic constraint is the risk of inflation. A Labour Ministry survey found that Japan was short of 2.06m workers. Some 60 per cent of 15,000 businesses had been forced to change their plans because they lacked workers.

In construction, there are freqnent reports of companies poaching workers directly off rivals' sites. These pressures have been exacerbated by the recent fall in the yen coupled to the rise in oil prices, plus, at home, the introduction of the consumption tax. The latest figures for both wholesale and consumer prices show year-on-year increases of 3 per cent, relatively high in an economy which is used to stable prices.

To ward off the risk of inflation, the Bank of Japan in May lifted the Official Discount Rate for the first time since 1980. But international considerations put tight limits on the bank's freedom of manoeuvre. Any increase in Japanese rates puts pressure on (much higher) US rates – and an increase in American rates might turn the soft-landing the authorities are trying to engineer into a sharp recession.

However, the central bank's main current concern is the strength of the US dollar. In the Japanese view, the dollar has been buoyed by a flow of capital into the US which will delay efforts to correct the gross imbalance on trade between the US and Japan.

The Japanese trade surplus, like the US deficit, has been falling in recent months. But the dollar's weakness is expected to provoke a sharp increase in Japanese exports by the end of this year – especially as overseas demand for Japanese goods, particularly industrial and office electronics and machine tools, remains very strong.

As a result, any decline in the trade surplus from $95bn recorded in the last financial year will be modest. Moreover, a decline in the first half of the year is likely to be followed by increases in the second half.

At the same time, the rate of import growth is slowing somewhat. So, after two financial years in which the contribution of net external demand to economic growth has been negative, the position could be reversed this year.

In other words, net exports will once again be contributing to growth. One danger is that this export surge will eventually hit the currency markets and force the dollar down drastically. It will also exacerbate trade disputes. And, if the US and otber world economies slow down faster than expected, the surge in exports will die, to the detriment of the Japanese economy.

One remedy will be for the Japanese Government then to stimulate the domestic economy with a package of public works programmes. This was extremely effective in starting the current expansion in the first place, and could work again, as long as inflationary pressures ease. They could well do, as industrial investment is unlikely to sustain its current record-breaking growth rate for a *third* year.

Mr Ron Napier, an economist at Salomon Brothers, the US investment bank, says in a report: "Looking forward, it appears that business fixed investment will likely fade as a source of growth next year and that public works will return to take up some of the slack."

Stefan Wagstyl

PROFILE: MAKOTO UTSUMI

Japan's Vice Minister of International Affairs

An irrepressible man of ideas

JAPANESE Government officials have many qualities, but they are not, on the whole, renowned for their inventiveness.

Mr Makoto Utsumi, 55, recently appointed Vice Minister for International Affairs, is an exception to that pattern. He has long been known within the ministry as an irrepressible fountain of ideas, so mnch so that a leading politician once gave him the nickname of "manpachi," jokingly implying that only eight of every 10,000 ideas he came up with proved successful.

Mr Utsumi's creativity has long been known in Japan but it recently received international recognition as well when he was declared policymaker of the year by a US financial magazine. The award was mainly a tribute to Mr Utsumi's role in the development of the Brady plan for dealing with the debt burdens of some of the most indebted developing countries.

There was a certain rough justice in this. In Japan, Mr Utsumi is credited with having designed the Miyazawa plan for dealing with the debt problem last year when he was director-general of MoF's international finance bureau. The US Government jeered at that plan when it was presented at the International Monetary Fund annual meeting in Berlin last autumn, bnt then borrowed heavily from it in putting together the Brady plan. Mr Utsumi, to his credit, was not too proud to put his support fully behind the Brady plan, and it ultimately had Japan's enthusiastic endorsement.

On the surface, Mr Utsumi is the identikit MoF official. A graduate in law from the University of Tokyo, he has spent his entire career in the ministry, shuffling in the early years through obscure positions at regional tax bureau, local tax bureau and currency bureau. Things began to change when be was posted to Japan's embassy in Brussels in 1961. He became enchanted with Europe, managed to stretch his two-year tour to four and

Makoto Utsumi: a tough boss

learned to speak French with considerable flair.

Returning to Tokyo, he re-entered MoF's tax bureau and began to emerge as a tax expert. In the early 1970s, he also acquired useful political savvy, working in the Prime Minister's office at a time when Mr Noboru Takeshita was chief cabinet secretary. More than a decade later, his expertise and that contact became useful when Mr Takeshita was Prime Minister and MoF was trying to pass its controversial tax reform.

However, Mr Utsumi's political sense let him down in 1979 wben be proposed introdncing a green card registration for tax-exempt savings accounts with a view to wiping out widespread abuse of the system. The plan caused a pnblic nproar and had to be scrapped, and Mr Utsumi considered resigning.

He had a second stint abroad from 1983 to 1985 as minister in the US embassy in Washington, where he was involved in negotiations leading to the Plaza Agreement to revalue the yen in 1985 and established good relations with US financial officials.

Fittingly, he returned to become director-general of the international finance bureau, a post that brings with it the responsibility for managing Japan's foreign exchange policy. In the early part of his tenure, the exchange markets were often volatile and be tried a number of tactics to make them more stable.

One morning in May 1987, when the dollar was showing unusual weakness, be resorted to the unprecedented step of summoning the beads of all the big Japanese securities companies, banks and investment trust companies to his spacious office, asked that they refrain from speculative trading in foreign excbange markets and demanded daily reports henceforth on their transactions. He then called in successively the Japanese financial press and foreign financial correspondents to tell them what he had done.

Critics said at the time it was a flamboyant bnt futile gesture because the institutions could simply move to other markets to carry out their speculative transactions.

A few months later, Mr Utsumi lashed out publicly at Mr Jacques Delors, the European Commission president, for saying the US was prepared to see the dollar sink further. "It is a pity that Delors and some former US government officials wbo are no longer participants in major industrialised nations' currency discussions have misguided foreign exchange markets," be said.

In the eod, following various statements and agreements by top finance officials of the Gronp of Seven leading industrialised countries, stability was restored, and Mr Utsumi must get some of the credit.

He is known in the MoF as a tongh boss, imposing his ideas by force of personality, bnt he is respected for his analytical ability. In his spare time, be does not join the squads of Japanese businessmen and officials on the golf course. Rather, be jumps in his US-made all-terrain vehicle and then goes hiking.

Ian Rodger

European economic and monetary union

Single market progress brings long-standing goal nearer

THE 12 member-states of the European Community have embarked on a further push towards economic and monetary union (EMU). Despite hesitations on the part of several countries and downright opposition by Britain over the later stages of such a union, it is agreed by all that at least a first stage move to greater monetary and economic co-operation will start by July 1 next year.

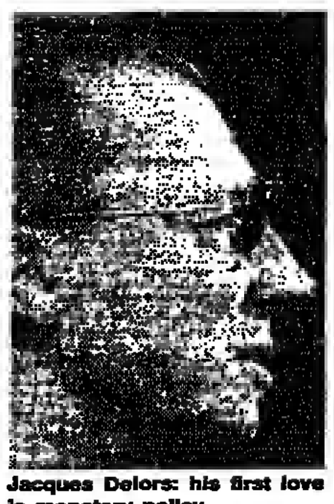
On the face of it, it is rather surprising that a majority of states should feel the need for change *now* – so long after the Second World War that was the initial impulse to European unity, at a time when the Common Market at last seems to be working as it was originally intended, and when the West European economy is experiencing its longest boom since the 1960s.

There are, of course, many reasons. Some of them are almost accidental. The European Commission happens to have at its head Jacques Delors, a former French finance minister whose first love is monetary policy. Growing restiveness on the part of France and Italy for monetary change might not have led to anything, had they not had an ally in Hans-Dietrich Genscher, the pro-federalist German foreign minister whose desire for Germany to preside over a smooth EC summit in Hanover in June 1988 led to the creation of the Delors study on steps to EMU.

But the most fundamental factor is the Euro-euphoria stemming from the astonishing progress so far of the Community's harrier-breaking single market programme. Despite problems over tax harmonisation, side-disputes over accompanying social policies and the hig question of whether EC decisions will really be put into practice in all 12 countries, the single market plan has got far further than anyone could have dreamt when it was conceived 4½ years ago.

The EMU issnes have much more sensitive politically. But success bas a way of breeding sncess, or at least a feeling that it might now be possible to pay more than lip-service to the long-standing Community goal of EMU.

This feeling is in large part related to the huoyancy of the European economy, whicb looked briefly like being torpedoed by the October 1987 stock market crash hut has hohbed up strongly thereafter *(see table, below)*. Real growth in Community gross domestic product rose from an annual average 1.6 per cent in 1982-4,



Jacques Delors: his first love is monetary policy

to 2.6 per cent in 1985-87 and to an estimated 3.2 per cent in 1988-90. The Commission in Brussels seeks to give EC policies the credit for this happy development, which is of course due also to the current "soft landing" adjustment of the US economy to lower deficits, to third world countries struggling on to maintain imports despite their debt servicing, and to a slight opening of Japan to imports.

But the general strength of European growtb is also due to the deregulation moves in several EC members – Britain most ootahly hnt also countries like France – which have heen reinforced by deregulatory and pro-competition policies at the EC level. In addition, investment in new capital plant bas been hooming as businessmen have been gearing up to an expanded EC market beyond 1992.

The paradox, however, is that just as Europe's politicians are plotting at least a first stage move towards EMU, the economic convergence of recent years between their economies is beginning to disappear.

The most notahle differences now appear in the external positions of the Twelve. Those with the most serious current account deficits are the UK, Portugal, Greece (all of which happen to remain outside the European Monetary System) and Spain which has only recently joined the EMS.

The other eight EC states show a substantial surplus as a whole, but this is largely due to the very large German current account surplus whicb amounted to 4.1 per cent of its GDP in 1988, and looks set to grow this year and next. Mr Karl Otto Pöhl, the Bundesbank president, recently voiced the fear of many when he said the piling German trade surpluses should logically lead to a revaluation of the D-mark, but that everyone wanted to avoid an EMS realignment for political reasons.

Inflation has generally risen in the Community since 1988, but at different paces between three gronps of countries, ronghly according to their degree of adherence to EMS disciplines. That is to say, Germany, France, Denmark, Ireland and the Benelux countries, which all keep their currencies within the 2.25 per cent fluctuation margin in the EMS, are seeing an increase in their rates of price rises, hut only probably to around 3 per cent this year.

A second group of countries with inflation about douhle that of the first group is comprised of Italy, whose lira moves within a 6 per cent band in the EMS, Spain, the newest EMS memhar, and Britain, whicb remains outside the EMS. Greece and Portugal trail the pack with douhle-digit inflation. This pulling further apart of national inflation rates is hardly conducive to all EC states joining the EMS exchange rate mechanism during stage one of the Delors plzn, due to come into effect by next July.

A third area of divergence occurs in the hudgetary field. Britain, Denmark and Luxembourg are running bndget surpluses: net public borrowing in Germany, France and Spain is below the Community average, and causing little concern; but budget deficits remain high or very high in the other six EC states.

Closer co-ordination of economic policies would therefore seem to make sense in these circumstances. This is what EC finance ministers all endorsed at their mid-September meeting in Antibes wban they agreed on the need to revise an outdated 1974 decision on economic convergence.

Whether they are ready to go as far as the Commission would like is, however, another matter. The Commission is keen for Community countries to maintain a robust growth strategy, so as to minimise social tensions and joh losses arising from imports and, more important, from more cut-throat competition in the post-1992 single market. Second, Brussels would like to see EC finance ministers start practising the fiscal and budgetary co-ordination prescribed by the Delors report for later stages of Emu. But the degree to which an eventual single currency would require the Twelve to run identical fiscal policies, and to accept hinding limits on their budgetary deficits is currently hotly debated.

Nevertheless, the Commission is already pushing some general guidelines which it bopes finance ministers will steer by, once they have revamped (probably in November) their 1974 economic convergence commitment. These guidelines would ensure that governments are subject to the same market discipline as private borrowers, that deficits should be covered by tax revenue and not by getting national central banks to print more money, and that tax rates should he lowered, tax hases widened and tax assessment simplified.

With or without progress to EMU, the Twelve must hope to continne to generate a substantial amount of growth from trade within the Community itself. Indeed, if the US trade deficit is to diminish, the EC can hardly hope for much further increase in its share of general world trade. High technology is increasingly become a Community concern, with large amounts of money being funnelled into research and development at an EC level.

The worries to which R & D programmes respond ara detailed in a recent Commission study. This showed that with the exception of pharmaceuticals and aerospace (in the latter sector the Commission does not bother to enforce its anti-trust and anti-subsidy rules), Community competitiveness has declined in hi-tech products.

David Buchan

Economic Improvement in the European Community through the 1980s

	1982-1984	1985-1987	1988-1990*
Real GDP (annuel evererage % change	+1.6	+2.6	+3.2
Investment (annual average % change)	−0.1	+3.6	+6.5
Employment:			
- annual average % change	−0.5	+0.8	+1.2
- cumuletive change over the three-year period (thousands)	−1,845	+3,138	+4,700
Inflation (annual average %)	+8.7	+4.4	+4.3
Intra-Community exports (annual average voluma % changa)	+1.0	+6.1	+7.5

*Forecast for 1989 and 1990: In the Community, economic growth is continuing strongly, says the European Commission. Real output should expand this year (3¼ per cent) and 1990 (3 per cent) at rates higher than in any of the last nine years, except 1988. Employment is increasing, with almost 2m net additional new jobs created in 1988, and another 2.5m to 3m added during 1989-90. *Source: European Commission.*

Britain's Chancellor Lawson and Prime Minister Thatcher: not sharing in the Euro-euphoria

EASTERN EUROPE

Signposts missing on the road to reform

REFORM IN Eastern Europe is not a phenomenon of the mid-1980s – which is part of the present reform's problem.

Various sorts of re-arrangements of the economic – and even, to a degree, political – furnitures have been tried in nearly all the Eastern European states within their Communist period – beginning from the mid-1950s, after the death of Joseph Stalin.

Hungary, Poland, Czechoslovakia and the Soviet Union itself all tried, in various ways, to loosen the grip of a central bureaucracy and an omnipotent party upon the economic systems.

In the case of Hungary, it "worked" within its own terms until the 1980s; in the case of Czechoslovakia, the economic and political reforms of the later 1960s under the leadership of Alexander Dubcek went so far, so fast that they precipitated a Soviet invasion; in Poland political and economic restructuring from the 1950s produced an economy hugely overinvested in heavy industry.

In the Soviet Union, many of the Khrushchev reforms – as for example the abolition of the central economic ministries – were simply reversed by Brezhnev in the mid-1960s, though there was no return to the Stalinist "production through terror" – rather, a creation of production through bureaucratic fiat.

Yugoslavia is a fascinating but for our purposes separate case – since its much less centralised policies, its reliance on an ostensible system of workers' control and its relative openness to the West makes it a cross between a socialist and a capitalist system which is "sui generis".

The ultimate failure of all of these efforts became clearly and generally visible to the West only in the 1980s (it is hard to remember that, in the 1960s, political leaders in the West were fearful of the Communist states surpassing their own economic and scientific achievements).

But they became visible in the states themselves much earlier: visible most of all, of course, to the mass of citizens, especially to those who had some knowledge of Western conditions and could compare relative material standards.

Reforms were generally made – especially in Poland – in response to popular explosions: they were, however, closely constrained by ideology and resources, more importantly the former. In the 1980s, in the Soviet Union, it became obvious to an influential group of relatively young party leaders and analysts – the group from which Gorbachev emerged – that further such explosions were inevitable unless anticipatory action were taken. Hence perestroika, or "restructuring".

In what does it consist? Its stated aim is to breathe new life into socialism: literally so, for the Soviet reformers (and other East Europeans, following them) believe that the Soviet economy was put on the wrong track in the late 1920s, once Stalin dropped the New Economic Policy and made a hellish dash for industrialisation which took the lives of millions of peasants.

True socialism, they say, depends on a devolution of power to those who do the work – the people employed on the land, in the enterprises and offices. They must be freed from stifling state orders of all kinds, and allowed to show independence and initiative. Enterprises must thus become self-financing; foreign trade opened up to all who wish to engage in it; joint ventures with foreign companies encouraged.

With this has gone what is known in the Soviet Union as "glasnost", or (roughly) openness: under that banner has been placed a range of movements, some from above but increasingly from below, which seek to democratise society and allow greater freedom of expression: in part this has different roots and responds to different pressures – but it is also the case that a loosening of the economic bonds has meant a necessary easing of the ideological and organisational ones, too.

It has been a feature of both perestroika and glasnost that the satellite states, formerly closely tied to the Soviet Union, have been given, under Mikhail Gorbachev, much greater freedom than they had enjoyed since the war. The pace of reform has thus differed greatly: very rapid indeed in Poland and Hungary, more halting in the Soviet Union, just beginning (and strictly limited to the economic sphere) in Czechoslovakia and Bulgaria.

How has it gone? It is just about time to make some assessments – after over four years of Gorbachev rule in the Soviet Union, and over a year of explicitly reform-oriented governments in Poland and Hungary.

First, each national experience is very different. In the case of Poland, the economic crisis co-incided and inter-acted with a political crisis which had been suppressed, but exacerbated, by martial law in the 1980s: it has helped force the pace of change, so that now a Solidarity-led government, which will contain a minority of Communists, will commit itself to a new series of market reforms, hoping that these are better supported both at home and abroad than those of the Government of Mieczyslaw Rakowski only a year ago.

In Hungary, the party appears more in control of the reform process – but perhaps only because it has not yet been forced to submit itself to an election. Both farming and industrial sectors show more efficiency than their

Enterprises, when told to be more profitable, have simply raised prices

Polish equivalents – though the per capita foreign debt is higher – and there is greater evidence of interest from Western companies.

However, the Hungarian Socialist Workers Party's aim to move to open elections in which it would expect to win a substantial share of the vote may be damaged both by the good showing of the Democratic Forum opposition party at by-elections, and by the looming split in the HSWP between the reformists and the harder liners

In the Soviet Union, where most interest must be focused, the perestroika has been self-confessedly mired in a deep and glutinous bog. A series of disasters, of which the earthquake in Armenia last December was the most appalling, has siphoned off resources: but more importantly, the legislative reforms aimed at freeing the industrial and commercial environment have not evoked a response from below on anything like the scale required.

Enterprises, when told to be profitable, have simply raised prices, justifying the rises by saying that the goods are better quality. Managers have conceded big pay demands to buy off trouble – as the state itself did, faced with striking miners this summer. Co-operatives, advertised as the element which would generate competitive pressures on the state monoliths, have confined themselves mainly to trading or producing goods in short supply on which a quick and large profit could be made.

Efforts to raise quality have had only temporary effect. The reorganisation of the crucial agricultural sector was itself reorganised three years after the first reorganisation. Strikes are now endemic.

Common to all of these economies is that they have embarked on a road which no-one has travelled before: the attempt to liberalise, or marketise, a command socialist economy.

The early fervour has dissipated: increasingly, the leaders fall back on exhortation, calls to tighten the belt and threats. It is likely that economic reform is irreversible, but that is not the same as saying it will succeed.

John Lloyd

☐ Under the banner of "glasnost," or (roughly) "openness," in the Soviet Union, a range of movements are emerging, some from above but increasingly from below, which seek to democratise society and allow greater freedom of expression: in part, this has different roots and responds to different pressures.

☐ Pictured above are demonstrators in the streets of Vilnius, in the Soviet Union, protesting against the 50-year-old Nazi-Soviet pact which robbed the Baltic States of their independence.

☐ Below: Soviet leader Mikhail Gorbachev, left, with Mrs Raisa Gorbachev, centre, greeting French President Francois Mitterrand during a three-day visit to France, in July this year.

WEST GERMANY

Robust performance again confounds the sceptics

FOR THE second year in succession, the performance of the West German economy has confounded the sceptics.

Only just over 12 months ago, the Organisation for Economic Co-operation and Development was warning that the Federal Republic faced a "vicious circle" of low growth, investment and job creation. Now, as a result of the boost to exports from the world-wide investment boom, as well as unsuspected buoyancy in domestic economy, West Germany this year expects a rise in gross national product of more than 4 per cent, the highest since the 1970s.

This is double the medium-term growth rate which most consensus forecasters were predicting in 1987-88, and follows much better-than-expected growth of 3.4 per cent last year. The economy appears in good shape to absorb a higher than expected inflow of refugees from East Germany and the rest of eastern European who now seem likely to add around 1m people – or 1.6 per cent – to the population between 1988 and 1990.

Indeed, there have even been some optimistic assertions that the inflow of young, mobile and motivated workers from the East could help curb some of the notorious rigidities in the economy. Even though the newcomers will also be a drain on social spending, they will certainly both inject new demand into the economy and could also represent a modest supply-side boost.

Both gross national product and domestic demand now lie around 20 per cent higher than at the last cyclical trough in the final quarter of 1982.

With the Government putting forward a forecast of 3 per cent expansion for the general election year of 1990, the continuing upswing represents a piece of highly welcome news for Chancellor Helmut Kohl.

The refugees will inject new demand into the economy

Throughout the 1980s, West Germany maintained its place as the largest of the European economies, and strode to the top of the table in the world exporting league. But it has been a long way from representing a power-house. The astonishing surge in activity this year seems likely to mark the first year since 1979 (and only the third time since 1970) that the Federal Republic will grow at above the average of the OECD economies.

Unemployment is still a black spot, even though a large amount of the total seems structural in origin. The jobless figures, for seasonal reasons, however fell below 2m this summer, for the first time in 1982, and an average level of less than 2m for 1990 now seems possible.

The Bundesbank has had cause to tighten monetary policy this year to guard against the danger of overheating. Inflation has been boosted to around 3 per cent by an increase in indirect taxation which took effect in January. But this will probably be only a temporary blip; the rise in consumer prices looks likely to fall back to less than 3 per cent next year.

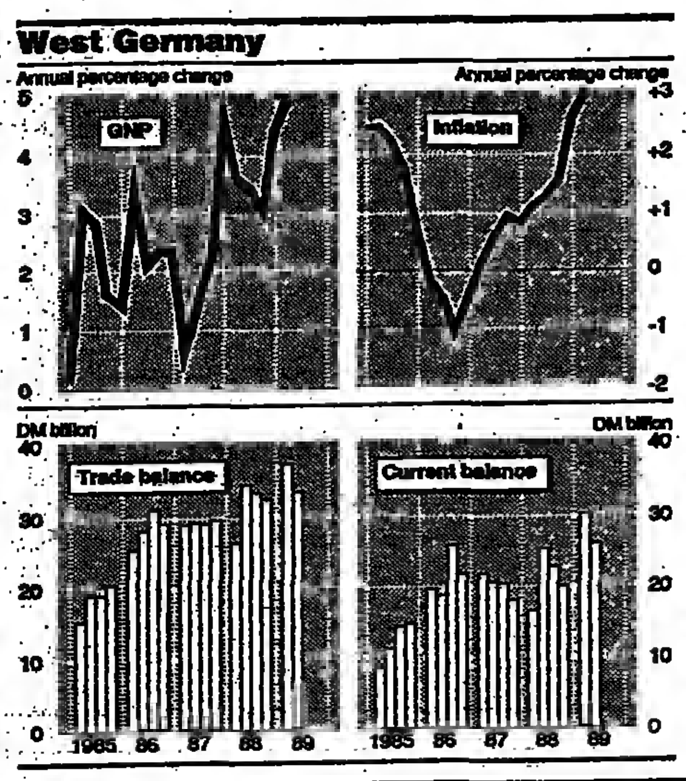
The consequences of next year's key wage round in the metal industry remain a cause for concern at the Bundesbank. But the chances of a genuine wage-price spiral – which would force the central bank to intervene with recovery-crushing interest rate hikes – seem fairly remote.

On the external front, West Germany has benefited for an extraordinary correlation of circumstances. The D-Mark has been unaccustomedly weak in real terms, both against the dollar and against European currencies.

The Bundesbank has made no secret during the past year of its wish for a D-Mark revaluation in the European Monetary System, where the last realignment came in January 1987. Because of low world commodity prices, the disadvantage in terms of imported inflation has been quite low. On the other hand, German exporters have reaped the full benefit of a competitively priced currency at a time of high international demand for West German capital goods.

Exports rose 18 per cent in the first seven months of the year, increasing the trade surplus by 15 per cent to DM81bn.

■ West German Chancellor Helmut Kohl, above left, confers with US President George Bush at this year's summit meeting in Paris of the Group of Seven industrialised countries.
■ Below: In Bonn, the new West German Finance Minister, Theo Waigel displays a rubber dollar bill at the start of a cabinet meeting on West Germany's budget for 1990.



The increase in the surplus has been concentrated on trade with European countries, where the 1992 single market programme seems to have stimulated extra demand.

The Bundesbank is forecasting that the current account surplus will rise to DM100bn this year from DM85bn last year. So far, however, growing world current account imbalances between the US, Germany and Japan have been financed by autonomous capital movements – and the Federal Republic has not faced a repeat of the currency squalls which sent jitters through the export community in 1987.

Domestic demand in 1989 will benefit from DM25bn of tax cuts coming into effect in the New Year as part of the Government's long-planned tax reform programme. In a move which looks suspiciously like electioneering, Mr Theo Waigel, the populist new Finance Minister, has added to some of the tax reductions already planned by his predecessor, Mr Gerhard Stoltenberg.

Two or three years ago, Mr Karl Otto Pöhl, the Bundesbank president, in line with some of the Government's critics abroad, took Bonn to task for not speeding up tax cuts. Now, however, showing how much the picture has changed, Mr Pöhl has had cause to ask out loud whether next year's tax give-aways will not add to the danger of over-heating.

Apart from the electoral implications, next year's tax measures in fact now seem nicely timed to counteract a likely deceleration in the US economy.

Not all forecasters are sanguine about 1990. Dresdner Bank is predicting a further 3 per cent rise in gnp, but the Kiel Economic Institute believes that expansion will tail off to 2 per cent as the overall world economy slows.

For the moment, however, news from the West German corporate front seems rosy enough. Profits are surging, manufacturing orders were showing an annual rise of 8 per cent this summer, and capacity use is at the highest for 18 years. German business sentiment can be notoriously sensitive to external shocks – and the danger that the dollar will indeed make a "crash landing" is an ever-present Damocles sword over exporters' heads. But the economy seems robust enough to enter 1990 on a continuing wave of confidence.

David Marsh

Profile: Karl Otto Pöhl

Doyen of the banking world

AS THE longest-serving head of a central bank in the West, Mr Karl Otto Pöhl, the president of the West German Bundesbank, can justifiably be called the doyen of the international banking community.

Stocky, tanned and invariably well-turned out, Mr Pöhl is one of the more colourful figures on the international monetary stage. His willingness to speak off the record makes him popular among journalists, although some suggest his relationship with the press is far from a one-way street. Certainly, the canny Bundesbank president has been in the business long enough to know the value of a good one-liner to guide news-hungry journalists his way.

Recent months have brought more stability on the Forex front, meaning that it has been European issues, rather than the currency minefield, which have been attracting Mr Pöhl's attention. A member of the Delors committee on European economic and monetary integration, he has been cautiously optimistic about the prospects for the European Community moving closer together in monetary and economic affairs.

He knows the value of a one-liner to news-hungry journalists

Mr Karl Otto Pöhl, the long-serving Bundesbank president and a colourful figure on the international monetary stage.

But unlike some members of the previous city administration in the Bundesbank's home town of Frankfurt, Mr Pöhl is a pragmatist, who nurses no plans to construct a new edifice to European co-operation alongside the Bundesbank's current home just north of the city centre. For while some local politicians have portrayed the city as the unquestioned European financial centre of the future, the urbane Mr Pöhl has cast doubts on the need to set up a new institution at all, let alone find it a home.

In that respect, he has been guided by two concerns: anxiety to preserve the Bundesbank's much-vaunted independence, laid down in a special law; and a stress, ever since the publication of the Delors committee report in April, on the need to move towards closer European monetary co-operation via a softly, softly – but ultimately workable – approach, rather than through grand, but eventually futile – designs.

The first concern has occasionally caused strains in the closer economic and monetary dialogue developing between the French and German governments. For while bilateral discussions between the EC's two central partners are nothing new, the latest steps towards co-ordinating positions threaten to encroach on the Bundesbank's constitutionally-demarcated territory.

Meanwhile, as his second priority Mr Pöhl has striven to ensure that the latest moves towards monetary collaboration should be taken on a pragmatic basis, with an emphasis on using the tools currently at countries' disposal, rather than jumping to any new treaties, which would require political ratification by all 12 national parliaments. As a former senior civil servant in the Bonn Ministry of Finance, Mr Pöhl is sufficiently steeped in the workings of everyday power politics to know how unwise it can be to let ambition get the better of political realities.

In that respect, he has succeeded in adjusting to changing realities rather well himself. Originally appointed as a vice-president of the Bundesbank by Chancellor Helmut Schmidt's Socialist-led Government in June 1977, after which he moved to the top job in January 1980, he has stayed in charge despite the subsequent shift of power in Bonn away from the SPD to Chancellor Helmut Kohl's right-wing Christian Democrats, who in June 1987 appointed him to a second eight-year term.

The climate could become even less comfortable next year

Nevertheless, some Bundesbank-watchers have wondered whether Mr Pöhl, for all his political agility, may have been finding the political climate in the top policy-making council less friendly of late. Matters could become even less comfortable next year when the affable Mr Leonhard Gleske retires, to be replaced by the able and internationally experienced, but ambitious Mr Hans Tietmeyer, currently a state secretary, like Mr Pöhl himself in the past, at the Finance Ministry.

But while there have been suggestions that recent rises in German interest rates – notably last April – were pushed through by senior regional Bundesbankers from its regional head offices against Mr Pöhl's own wishes, he has never hinted at any lesser commitment on his part to fighting inflation. If there were any differences over policy earlier this year, it was a question of timing rather than direction, with some wanting an upward shift sooner than the Bundesbank president. How matters will change after Mr Tietmeyer parachutes in from Bonn remains to be seen, however.

Inside his office on the marble-walled top executive floor of the bank, visitors have a chance to gain a closer glimpse of Pöhl the individualist. True, the bank's stark concrete building hardly lends itself to the wood-panelled and leather bound image of its counterparts in London or Paris, but Mr Pöhl, who is often to be seen pictured alongside one of the modern works of art which enliven its utilitarian corridors, has given it a slightly more personal touch.

It will be some years before the bank completes its long-awaited extension, which will allow all its Frankfurt staff to work more closely together. If some of the designs are anything to go by, the new building should reflect just that extra touch of character that the occasionally unconventional Mr Pöhl likes to portray.

Haig Simonian

BRITAIN'S ECONOMIC PERFORMANCE

Uncertainty prevails

EVEN AS late as autumn, it is not clear how Britain's economic performance in 1989 will go down in the history books.

It could be the year in which Mr Nigel Lawson, the Chancellor, proves he is a strategist *par excellence* – navigating tbe UK out of troubled waters and towards strong, sustainable growtb in time for a general electioo in 1991 or 1992.

Or it could be the year that his six-year chancellorship starts to unravel, witb large trade deficits and stuhbornly higb inflation wrecking any improvement in the underlying competitiveness of tbe economy.

What is evident is that 1989 will be a turning point. The Government's higb Interest rate policy – brougbt into play in the summer of 1988 as inflation started to rise remorsely – shows all the signs of starting to work. Economic statistics are – with a few notable exceptions – pointing in the right direction. Even retail price inflation appears to have passed a peak. The snag is that the process of adjustmeot is taking far longer – and could prove more painful – than probably the Treasury ever imagined.

Having nudged the economy to point in the direction he wants, Mr Lawson has to be careful that high interest rates do not push it too far towards recession. There are gloomy economic prophets a-plenty who, in the event of a "crasb-landing", would smugly say: "I told you so."

His plan for combatting inflation has been simple enough. By the middle of last year, the economy was clearly growing too fast. Excessive consumer speeding, lubricated by credit, was sucking in exports and allowing manufacturers to push up prices. Unemployment was falling sharply, encouraging high wage demands and fuelling skills shortages. The result was an explosive increasa in the current account deficit and a steeply climbing path for inflation.

From May 1988, base rates

Clearly, 1989 will be a turning point

were raised 10 times, reaching 14 per cent a year later. High interest rates, the Treasury argued, have both direct effects on tbe economy and effects via the support they give to sterling. The 1989 Budget, in contrast to its immediate predecessor, was a model of fiscal cantion – despite an ahundant publicsector financial surplus. Spending by government departments has been brought to heel.

Some effects of high interest rates have already been pronounced. Feverish activity in the housing market has been firmly defeated.

Consumer spending, too, is growing at a much slower rate. Year-on-year growth in retail sales is back to levels last seen as the economy was recovering from the recession of the early 1980s. Total consumer spending in the first half of 1989 increased by only 1¼ per ceot.


Picture: Ashley Ashwood

Mrs Thatcher: urging caution towards membership of the EMS

Despite the upward pressures from real wage rises, and changes to the National Insurance contribution system which take effect from October, most City analysts expect only relatively slow growth in consumer spending for the rest of the year.

In industry, the effects of high interest rates have been slower in coming through. Until at least the turn of the year, it was not clear if any significant effect had been felt.

Subseqnently, however, the Central Statistical Office has had to revisa downwards its estimate of the underlying growth rate in manufacturing output as each month's figures are pnblisbed.

More forward-looking indicators, snch as the confidence measures in the Confederation of British Industry's industrial trends survey, could be pointing to a still more marked slowdown – although there is, as yet, no indication that a recession is likely.

There have been upsets for the Government, however. Most notorious have been the alleged rows between Mr Nigel Lawson and the Prime Minister over exchange rate strategy.

The Chancellor has lobbied for early membership of the exchange rate mechanism of the European Monetary System; Mrs Thatcher has urged more caution. There have also been disagreements over the consequences in the past of sterling shadowing the Deutsche Mark.

In truth, such friction has probably been about little more than semantics. But the impression of disorder it has created has destabilised foreign exchange markets. And with sterling's strength a vital part of the anti-inflationary strategy, the Government could find itself playing with fire if such arguments were to re-surface.

At the same time, some economic indicators remain stubbornly out of synchronisation. Hopes that the current account deficit had begun to improve have been upset recently by large monthly deficits. M0, the narrow measure of the money supply, has only hesitantly moved towards the target range set by the Government.

Worryingly, broad money, inclnding bank and building society deposits, has been growing by np to 20 per cent a year. Non-mortgage lending to the personal sector appears largely indifferent to high interest rates. Pay settlements in manufacturing and service industries are running at probably their highest rate since 1981.

For these aberrations there are possible excuses: trade figures have been affected by a national dock strike and possible difficulties with seasonal adjustments. Lending figures could reflect "distress borrowing" as high interest rates force companies and individuals to borrow more in order to maintain constant spending patterns.

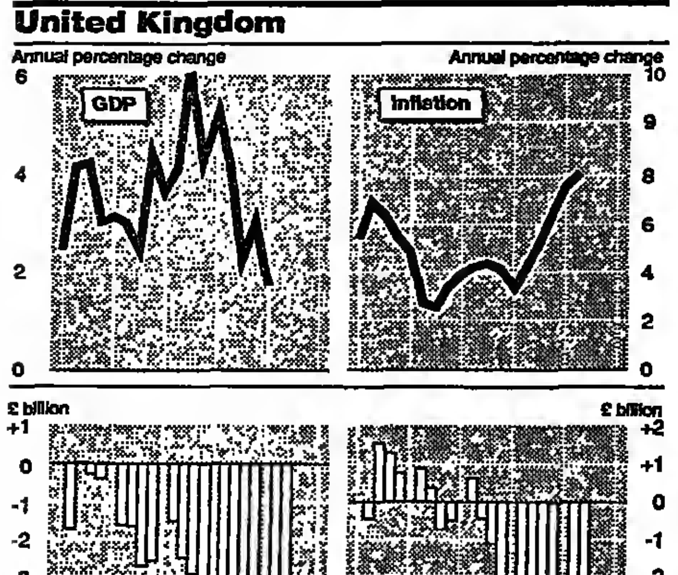
But, even if they can be explained away, the uncertainty created means that interest rates are likely to remain high for some time yet. Not only has sterling, for which interest rates are providing a foundation, to remain high, but wage settlements must be prevented from getting out of hand as the autumn pay round starts up.

That is likely to increase anguish for many companies as slower demand feeds through into higher stockbuilding or lower output.

Mr Lawson will not be indifferent to the squeals that are likely to come. Treasury ministers themselves like to emphasise the importance of rapid growth in investment for a healthy economy. His task is to decide when, or whether, policy should be loosened in order to set the economy on the most advantageous path – steering between threatened recession on ona side and continued inflationary growth on the other.

With one eye on the history books and the other on the forthcoming election, that is not going to be an easy decision to make.

Ralph Atkins



Profile: Sir Alan Walters, economic adviser

An influential voice

IN THE anonymous world of Britisb public service, where discretion is almost always the better part of valour, Sir Alan Walters, the Prime Minister's personal economic adviser, cuts a rare figure.

His ontsider status, unpredictability and liking for plain speaking and publicity mark him apart from the usual senior civil servant with whom he mixes and crosses swords.

But despite, or possibly because of this, a collective sigh of relief was heard among the Whitehall mandarinate last December, when Downing Street announced that Sir Alan would be returning to more permanent dnties in May this year.

"At least we will know what he's saying to her," one senior Treasury official said at the time, adding, "And he'll have to keep his month shut."

Since 1983, when he relinquished his full-time duties and returned to Washington, where he is an adviser to the World Bank and a professor of economics at Johns Hopkins University in nearby Maryland, Sir Alan has been in regular contact with Mrs Thatcher and exerted a quiet and little known influence on policy.

He is widely, and correctly, regarded in the City of London as one of the most influential voices in British economic policy today. "Alan can interpret the Prime Minister better than most," says one senior official. In recognition of that, London's financial markets hang on his words and crave the latest gossip concerning his views. Sir Alan Walters matters.

He is an economist who believes thet most of the problems with modern economies are created by governments interfering in markets. In Mrs Thatcher, the professor has found a receptive student.


Sir Alan Walters

The key to his success and longevity in office is simple. As Lord Jock Bruce-Gardyne, a Tory peer and former Treasury minister, says: "The important point is that he is good at dealing with the Prime Minister. He's able to argue with her, and he's not remotely phased by her."

It is a testimony to the Prime Minister's high regard for Sir Alan that he got off so lightly after he had attacked the Chancellor of the Exchequer in the press last year. He was reminded that ha was her personal economic adviser, not the nation's. Since then, he has kept his counsel, declining to be interviewed for this article.

Sir Alan, who was 63 in June, is a model of the Thatcherite outsider who has succeeded in the Britain of the 1980s. He grew up in Leicester, the son of a working class member of the Communist party. He failed to distinguish himself at school – like so many late starters – and it was not until after he had completed his national service and returned to study that his academic talents were displayed.

He came first in his year at the London School of Economics – no mean feat, as he was an external student in Leicester at the time. After an unhappy year at Oxford, he was head-hunted by Gilbert Walker, dean of the school of social sciences at Birmingham University.

Prof Walker, who was the leading transport economist of his day and passed on that interest to the young Walters, had a talent for spotting and employing bright graduates. A clutch of them gathered at Birmingham in the early 1950s: Terence Gorman and Frank Hahn, both distinguished theoreticians in economics; and Ezra Bennathan and Michael Beesley, who, like Sir Alan, were more interested in micro-economic issues and made important contributions to the literature.

All were close friends, and he has kept in close contact with many of them. "We were brash, spent a lot of time in each other's company and were all unusually inquisitive," says one.

If, because of his current duties, he spends less time with his Birmingham friends, the other attributes, brashness and inquisitiveness, have not diminished with time.

"Alan can be a bit of a tease," says one senior official, who has known him since he joined Mrs Thatcher's staff in 1981. "He can state logical propositions in black and white, extreme terms."

His range of interest spans the collecting of 13th and 14th century Thai porcelain – a habit acquired in 1968, when he first visited Thailand on an United Nations mission – 18th century English drawings, and music. "The picture of him as a narrow dogmatist is not true," says one old friend. "He is one of the most catholic people I know."

A number of themes recur when talking to Sir Alan's friends and colleagues. The first is his deep scepticism about the ability of government to regulate the economy and the concomitant belief in the workings of the market. The second is his presentational skill: his ability to simplify complicated ideas and to argue them persuasively and doggedly.

It is the combination of these two things that lies at the centre of his relationship with Mrs Thatcher – a relationship that is the sole source of what influence and power he possesses. They hava a very similar view of the world, and he can make the technicalities of economic policy transparent for her.

During his first tour of duty, his influence was most directly felt in domestic policy; importantly, he provided the Prime Minister with the support she needed to sanction a rise in taxes in the 1981 Budget, widely regarded at the time as economic heresy and certain to push the economy even deeper into recession.

That decision is now widely seen as crucial in the Government's success in getting inflation down and laying the foundation for its conquering of Britain's endemic budgetary problems. It also cemented the Prime Minister's respect for him and earned him the accolade of having a track record.

His batting record was not, however, perfect. In the early 1980s, he was an advocate of monetary base control, but lost that fight to the combined might of the Treasury and the Bank of England, who warned that such a procedure would play havoc with short-term interest rates and hence the politically sensitive mortgage rate. The Government settled instead for targeting the growth of M0, which consists mostly of notes and coins in circulation.

More recently, his interest has been sparked by work at the US Federal Reserve, the

Continued on page 9

FRANCE

Growth sustained

JUST AS France has basked for months in a seemingly endless hot summer, so the French economy is enjoying a sunny cycle of growth and prosperity which has proved much more sustained than anyone could have dared hope. For two years now, the shadow of an economic slowdown has repeatedly been predicted to be lying just round the next corner but one. On each occasion, however, the rate of economic expansion has proved to be more buoyant than expected, and the slowdown has once again been postponed to the next corner but one.

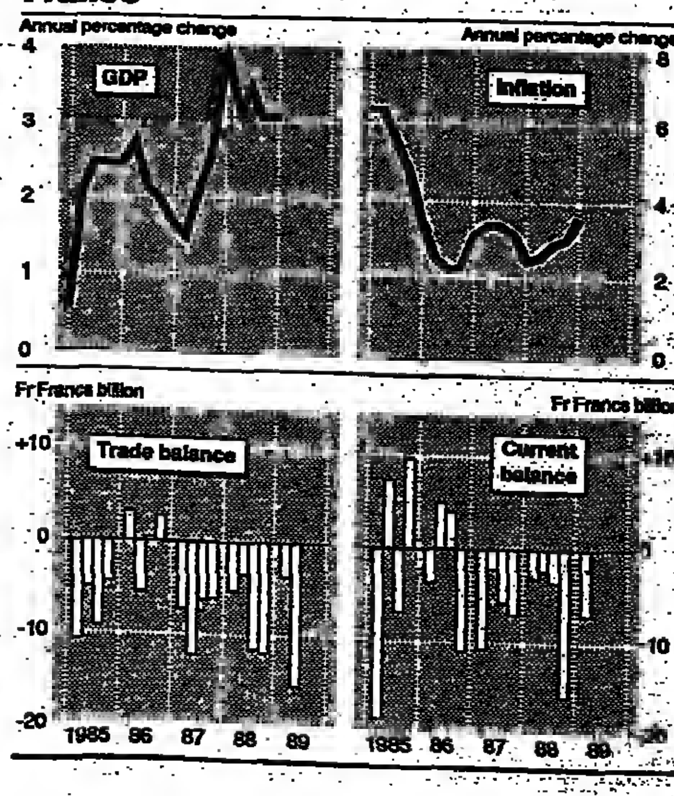
Two significant clouds overshadow this sun-lit scene. There is a substantial deficit on the foreign trade balance, whicb is worrying both because it is growing and because it is most acute in trade in industrial goods; and the rate of nnamploymant remains recalcitrantly high despite the rapid rate of economic growth, and risks rising still higher, at least in the short term.

In this context, the most recent trade figures have produced some bad news, with a deficit of FFr7.5bn in July compared with FFr3bn in June and FFr6.7bn in May. As a result, it seems probahle that this year will show a total trade deficit of the order of FFr40bn, compared with FFr33bn for 1988. Once again, the civilian industrial account is heavily in deficit, with a shortfall of FFr11bn in July, only partly offset by the vigour of agro-food exports.

The most reassuring explanation for the disquieting figures suggests that the import bill is still being swollen by the continuing high level of industrial investment, as well as by the buoyancy of household demand; and that the export effort has been sapped by the slowdown in the US and Britain. But the spectre at the feast is the fear that French industry, for reasons which are unclear, may be in some structural sense less competitive than some of its main rivals, especially that of West Germany.

Despite its sustained growth rate, France still has one of the higher unemployment rates in Europe, with 2.3m out of work, or some 9.6 per cent of the active population, though it has now started to come down. The explanation is partly one of delayed reactions: in the experimental excitements of the Socialists' arrival in power in 1981, the country was slower than most of its European partners to adopt remadial responses to the stagflation of the second oil shock. But it is also partly the result of a relatively bnoyant birth rate, which means that the active population in France is still expanding while those of Germany and Britain are contracting.

Like other European countries, France has resorted on a large scale to work-training and job-creation schemes. But these schemes are now more or less marking time in volume terms, with the result that the main burden of job creation has tacitly been handed back to the market. So far, it seems to be giving a moderately ancouraging response: job losses in industry have slowed right down, while the rest of the economy is creating jobs at a rate of about 250,000 a year. This is very slightly faster than the number of new applicants coming onto the jobs market, but it is not fast enough to promise a return to full employment in the old meaning of the term, and it is critically dependent on continuing sustained expansion.



The problem with these looming clouds is that they could in time become objects of serious anxiety, because they could threaten France's European strategy. In a radical abandonment of traditional French reflexes of protectionism and nationalism, the Government of Mr Michel Rocard is firmly committed to the opening up of the Single European Market as from 1993. The stress of adapting the French economy to the increasingly competitive international environment, of which the Community market is the starkest symbol, played a large part in the initial rise in French unemployment, and there is little doubt that it also contributed substantially to the upsurge of the axtreme right-wing National Front in last year's presidential elections.

By most measures, however, the French economy is performing remarkably satisfactorily, and looks set to go on doing so for a considerable time to come, partly because France is innocently sharing in the benefits of the favourable international economic cycle, partly because the present Socialist Government and its Gaullist predecessor have both pursued cautious and sensible macroeconomic policies.

Inflation has gradually been squeezed down to a rate of around 3.5 per cent, which is only slightly higher than the yardstick of inflation in Germany. Apart from its restrictive policy on salaries in the public sector, the main government instrument in reducing the inflation rate has been the reduction in the budget deficit, which has been steadily cut every year for the last four years, and is expected to be even lower in 1990.

It so happens that the latest estimate from the National Sta-

Continued on page 9

Charles Leadbeater on skill shortages and population trends

Changing labour markets

THE EXODUS of young East Germans into West Germany has largely been seen as a political event. The effects of perestroika in the Soviet Union are rippling through Eastern Europe, in turn signalling that the horizons of European integration extends beyond the EC's 1992 single market programme.

Yet the migration also has an important economic dimension. Whether West Germany fulfils the hopes invested in it by its new arrivals remains to be seen.

The arrival this year of 100,000 emigrants from East Germany and 300,000 ethnic Germans from other parts of the Eastern bloc could, however, mitigate a growing national problem: the contraction in the number of young people entering the labour market and an ageing population.

According to some estimates West Germany can expect 30 per cent of its population to be over 65 years old by the year 2040.

But a third of the migrants are under 18 years old. The population which on some estimates was set to fall below 60m by the turn of the century could rise above 65m, if the migration continues. That could help to solve mounting labour and skill shortages as well as helping to raise growth and investment.

The migration from east to west may be mirrored by a movement from south to north within the EC if the completion of the single European market leads to a wider labour market for both skilled and unskilled workers.

These potential migrations however are part of a much wider shift in the structure of the populations which will have widespread effects on all advanced economies over the next decade and beyond.

East Germans raise their arms in jubilation as they are allowed to leave Hungary and head for West Germany. The migration has important dimensions — both political and economic.

Throughont the advanced economies the number of young people entering the labour market is set to decline. The first signs of this decline are already being felt.

The OECD labour force of about 381m is projected to grow at 1 per next year, down from a 1.4 per cent growth rate in 1988. The decline in the US will be more marked, down from 2.1 per cent in 1986 to about 1.5 per cent next year, while in Japan it will fall from 1 per cent three years ago to 0.75 per cent. In the four major European economies it will fall from a 0.9 per cent growth rate, three years ago, to 0.5 per cent.

The OECD estimates that with countervailing migration flows and an unchanged level of womens' employment, a net surplus of new entrants into the job market of 2.5m a year in the 1980s could be transformed into an annual deficit of 11m.

The flip side of this is the ageing of the population. The number of people aged 65 and over rose from 47m in 1950 to 93m in 1980. The proportion of old people in the population increases from 8.1 per cent to 11.5 per cent. By 2025, one in four people within the OECD area could be more than 65 years old.

The timing of this gradual ageing of the population will vary from country to country. France has long had the oldest population in the world. In 1900, more than 8 per cent of the population were more than 65 years old. In contrast only 5 per cent of Japanese were aged over 65 years in 1950. Japan will experience an accelerating ageing of its population in the next decade.

The decline in French fertility rates, which has been under way for a century has been moderate, while in Italy it has been much more severe and sudden. The West German baby boom took place before the Second World War, while in France it was not evident until the end of the war.

But whatever the timing, there is little doubt it will arrive. It could have consequences for unemployment rates, policies on retirement and working time, social security systems, the structure of demand in the economy and thus employment.

The decline in the number of young people could mean that youth unemployment which became a serious problem in many advanced economies in the 1970s could be considerably eased. But clearly the price of labour, as well as the quantity, will determine the effect on unemployment. In the UK for instance, employers are scrambling to push up youth rates in pay to help recruitment. Young workers at some supermarket chains have been given rises of more than 20 per cent while young clerical workers at British Telecom have had rises of 33 per cent.

With youth rates of pay rising, employers may well turn to other sources of labour, particularly married women and older workers, who in the UK are often not registered as

Continued on page 10

A prominent economic advisor

Continued from page 8

US central bank, on P-star — a measure of the long-term equilibrium level of inflation — which he is believed to have brought to the attention of the Prime Minister, underlining his continuing interest in better ways to understand money.

Although, as one former associate noted, he will be keeping an eye on the domestic economy, "to make sure there is no Treasury back-sliding" on the fight against inflation, this time around the issues are largely international and European. The most pressing issue facing Mrs Thatcher is economic and monetary union (EMU) and Britain's participation in the exchange rate mechanism (ERM) of the European Monetary System (EMS).

His views on the EMS are fairly well known, and they have helped bolster the Prime Minister's more instinctive aversion to the system. He believes Britain would forgo a substantial degree of sovereignty over her monetary policy if she were to participate fully. He finds the EMS "perverse" and "messy", a system which works in the opposite direction to its main aim, the convergence of economic performance, because it requires countries with low inflation to run a restrictive monetary policy, and those with high inflation an expansionary monetary policy.

In his view, which to many loses substance by the day, the loose fixing of exchange rates between countries in the ERM implies identical nominal interest rates. With differing rates of inflation among member countries, the likelihood of realignments can also lead to destabilising capital flows.

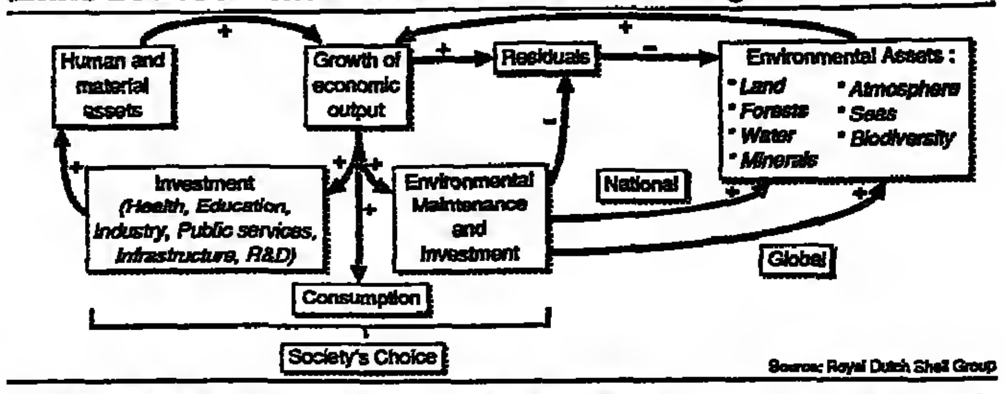
A quality of Sir Alan is his ability to surprise. So, while the Chancellor leads his opposite numbers a merry chase on EMU — promoting such ideas as making member countries' currencies legal tender in all — Sir Alan may well be developing a position for the Prime Minister that embraces fixed exchange rates after monetary and budgetary convergence has been attained, independently, of course.

Simon Holberton

Martin Wolf on the economics of the environment

The global sink

Links between environment and economic growth



Source: Royal Dutch Shell Group

THE CONFIRMATION of the hole in the ozone layer above the Antarctic was the immediate canse of renewed environmental concern. But it is no accident that environmentalism has burst so forcibly through the front-door of global ewareness as communism was leaving by the back. Worship of Gaia is, like messianic socialism, a religion. It is also a weapon in the unceasing war of the western intelligentsia against the market economy.

Environmentalists argue that the businessmen heroes of the capitalist system are poisoning the globe. Yet it would be perfectly reasonable to turn this view on its head. The problem is not that there is too much of the market economy, but that there is too little.

The policy issue is how to value, and ensure eppropriate use of, those scarce resources — clean air and water, the ozone layer, tropical forests, blue whales and the view of St. Paul's Cathedral — thet nobody owns. Since governments exist both to enforce property rights and provide those public goods which will not be delivered by the market, they will play a central role.

They will have enormous difficulty in doing so. Some of the externalities that reflect market failure are on e local, regional or national scale and can, at least in theory, be solved hy existing layers of government.

Unfortunately, the most significant problems — particularly those associated with use of the environment as a sink — are so precisely because they are international or global.

It is at this level, that government failure will be greatest, since those problems can be tackled only by extensive international co-operation, with each country tempted to let others bear the costs.

Not infrequently, environmentally sound policy will contribnte directly to economic activity or would do so if that activity were measured correctly. More usually, however, economic activity will have negative effects on the environment. In this sense, the environment is a constraint. But it is also an objective. The survival of a species cannot be marketed. In such cases, an increase in the benefit implies sacrifice of conventionallymeasured consumption.

The intellectual framework used to integrate environmental objectives and constraints within conventional economics is "sustainable development." The Brundtland Commission defined this as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Both this and all other definitions are both vague and tendentious, bnt the underlying notion is clear eoough.

It is that the capital stock, both man-made and environmental, left to our children should be at least as large as what we inherited.

Unfortunately, this does not take us very far. It does not tell us whether man-made capital can be substituted for environmental capital; nor does it tell us whether one form of environmental capital can be substituted for another; nor does it mean that the various elements of the capital stock can even be valued. It does not even tell us whether the bequest should be judged per head or in absolute terms.

The practical requirement, however, is to solve particular problems. Economic analysis — improved national accounts and cost-benefit analysis — and economic instruments — taxes, subsidies or markets in pollution rights — all have a useful role to play. But they are no magic wand.

Consider the greenhouse effect. If prognostications are correct, this is potentially catastrophic. Even a small probability of disaster requires action and, in this case, that action must begin decades before the potential disaster.

The solution would be a sharp reduction in the emission of greenhouse gases. To achieve this, global agreement will be required, but this will be enormously difficult.

The demand for oil, gas and coal per head in Japan is 40 per cent of the US level. In the Soviet Union it is 71 per cent (despite much smaller output per head). In Latin America it is 11 per cent of the American level, while in the Far East

Continued on Page 10

Cycle of expansion in France

Continued from page 8

tistical Institute (INSEE) suggests that the economy may have started to slow down, from a growth rate of 1.3 per cent during the first quarter of this year to 0.7 per cent in the second. Nevertheless, this is still a sustained rate of growth, and it means that the outcome for the year will still be an increase in output of over 3 per cent, whatever happens in the remaining months.

Next year, according to the latest prediction by the economic research institute Observatoire Francais des Conjonctures Economiques (OFCE), the French growth rate will subside to 2.4 per cent; but the sense of this "slowdown" acquires a different flavour when one notices that in three of the following four years OFCE expects growth of at least 2.6 per cent. This may not be the rate of growth France enjoyed in the 1950s, but it should help enormously during the difficult transition to the more integrated European market.

The difficulties of that transition will doubtless be felt in all parts of the economy, from smoke-stack industry to banking and financial services, from farming to distribution and retailing. But it will pose particularly acute problems for the Government's budgetary strategy.

The opening up of the Single European Market will require France to reduce its rates of Valne Added Tax, and to lighten its taxation on savings, since both of them are above average for the Community. However, these types of tax are also very important sources of government revenue. Thus, the Community's Single Market will have the uncovenanted result of requiring the Socialist French Government to go much further in restraining public spending than even Mr Michel Rocard would have chosen. In theory, the logical response would be to seek alternative resources, by broadening the income tax net, which is currently scandalously narrowly-based.

So far, however, Mr Rocard has rigorously and publicly set his face against any such move; so presumably he is confident that he can get away with a continued real reduction in public spending.

Ian Davidson

New international debt initiative

A watershed year

While reducing debt is no panacea for developing countries, large debt burdens could well be hindering proper economic adjustment, says Steven Fidler

HOWEVER THE international debt problem is finally resolved – whether through confrontation or conciliation – 1989 will probably be seen as a turning point.

The new international debt initiative, launched in March by Mr Nicholas Brady, the US Treasury Secretary, has provided that watershed. The Brady proposals switched the focus of the international strategy towards a reduction of debt burdens to commercial banks, rather than the provision of new loans. For the first time, official resources provided by the International Monetary Fund and World Bank would be used to support debt reduction operations for those countries agreeing to economic reform.

From the point of view of its supporters, the initiative has meant an overdue international recognition that the large debts of some developing countries constitute a significant obstacle to their economic recovery.

In the words of the IMF's April 1989 World Economic Outlook, the debt overhang "may have contributed to the weakness of investment in debt-problem countries. Moreover, factors contributing to a debt overhang may have exacerbated the political difficulties of sustaining appropriate adjustment policies."

The message is clear: while reducing debt is no panacea for developing countries, large debt burdens could well be hindering proper economic adjustment. Therefore, debt reduction may in some circumstances be a precondition to economic recovery rather than merely a consequence of it, as conventionally viewed in the past.

On the other hand, the view taken by some bankers is that the Brady initiative threatens to end the co-operative approach to the debt issue which has been adopted over the seven years since the crisis began. They suggest that the incentives to default have been heightened by the proposals.

This is why many bankers endorse the position of Sir Jeremy Morse, the chairman of Lloyds Bank, who has described "a darkening outlook" for developing country debt, as an increasing number of debtors resort to interest arrears as a way to finance payments deficits.

Yet as Mr John Reed, the chairman of Citicorp, has suggested, bankers probably brought the Brady focus on debt reduction upon themselves by insisting that new loans for developing countries would soon become impossible for them to arrange.

As others have pointed out, it is hardly credible to blame Brady for encouraging debtor countries to fall into interest arrears, when those arrears were already significant when the initiative was announced.

The reaction of bankers is understandable, since the Brady initiative and related changes which allow, for example, the IMF to disburse funds to debtor countries even when they are in arrears to banks, have shifted the balance of power away from the commercial banks.

Some bankers also argue that the ability of the banking system to accommodate the losses implied by the Brady Plan has been exaggerated. Others see themselves being used as an instrument of a US foreign policy which has the continued political stability of some countries such as Mexico as a prime objective.

Yet even those who favour the general approach of the Brady initiative concede that the approach presents important, yet probably unforeseen, drawbacks and contradictions.

For example, negotiations on debt accords were to have been a matter for the debtor country and its banks. However, in the Mexican negotiations – the first blueprint for Brady – the level of official intervention in the negotiating process, both from the US and other governments and from the international financial institutions, has been unprecedented.

Moreover, as the Mexican deal has turned out, the provision of new loans by banks is essential for the debt reduction package to work. This apparent contradiction arises because the amount of official resources to back the package – some \$7bn – will not be sufficient if all banks choose the debt reduction option. Furthermore, debt and debt service reduction alone would not be sufficient to cover Mexico's financing needs.

The mathematics of some countries' debt burdens also means that even a complete wiping out of bank debt would not provide the balance of payments support that a country needs. This is true in the case of the Philippines, for example.

There are also worries that the initiative will not bring about the "critical mass" of debt reduction needed to cut the debt overhang and thus be effective. There is little doubt that the Mexico package will result in hardly any net diminution of that country's more than \$100bn foreign debt. Instead, US officials now justify the change in strategy by taking a dynamic view: in the future, Mexico's foreign debt will be less than it would have been if a pre-Brady financing package had been agreed instead.

Of course, debt reduction is not costless for the debtor country. Some argue that it pushes into the future a "return to the markets." Less arguably, it uses official resources that could otherwise be used to finance imports.

In the Mexico package, some \$5.7bn of the \$7bn is being provided by official institutions, including the Japanese Ex-Im Bank, to back debt and debt service reduction. So some of the reduction in bank debt and servicing is being offset by the increase in official credits. On top of that, Mexico is issuing bonds in exchange for old loans that it has agreed not to reschedule. This reduces significantly the country's future flexibility: more official credits, some of which cannot be rescheduled, and bonds which the Government has agreed not to reschedule.

There has been criticism of the Mexico package as too complicated. Nevertheless, the flexibility inherent in the Brady ideas means that other countries will take other routes. The Philippines has decided on a debt buy-back, using resources from the international financial institutions to buy its debt at a discount to face value instead of using those funds as collateral as in the Mexican package.

The Mexican deal was made possible in part by the expenditure of significant political capital by the US Government, pressure which is unlikely to be sustained over a long period.

For the richer countries such as Venezuela, many bankers still believe that debt reduction is inappropriate. For those such as Argentina, relations have been poor between government and banks, and arrears are such that agreement would be difficult. Other needy countries also do not stand to benefit much from the Brady ideas, such as those which owe most of their funds to other governments or official institutions.

Even though agreements between the banks and Mexico, the Philippines and a number of other countries are well advanced, the applicability of the approach across a broad front of debtors is thus yet to be tested.

Stephen Fidler

Labour markets

Continued from page 9

unemployed.

A decline in the number of young people may not automatically mean a fall in unemployment, as it could lead employers to seek other sources of labour not officially registered as unemployed.

OECD unemployment is projected as 7.25 per cent next year, with more than 28m people out of work, 17.25m of them in Europe. A large share of this is accounted for by adult long-term unemployment.

As yet, it seems that employers faced with a decline in the number of young people are not keen to turn to the long-term unemployed as an alternative source of recruits.

But even this does not adequately capture the possible ramifications of the demographic changes in prospect.

- The change in the age structure could have consequences for skills training and the introduction of new technology. The increasing importance of professional and scientific jobs in the 1990s may well require more young people to stay longer in education. But higher youth pay rates will discourage this.

Policies towards the retraining of older workers will need to be addressed if they are to keep abreast of technological changes.

- Can economies afford to allow the non productive share of their populations to increase ? This may require a rethinking of policies on retirement and the trend towards lower retirement ages.
- The rise in the dependent population will put new strains on health and pensions systems, particularly in countries like the United States where businesses bear a large share of health costs.
- The changes will gradually shift the structure of demand in the economy. The rise in youth wages could make the 1990s an era of assertive youth culture. Old people also have distinctive demands. Older households consumer relatively more food and spend more on accommodation and maintenance than younger people and relatively less on clothing, transport and leisure.

Providing services and care for the elderly could become a growing business, along with child care provision if more women are encouraged into employment to make up for the shortfall in young people.

The decline in the number of young people may appear to hold out a solution to the problems of youth unemployment. It could well help to hold unemployment down despite slowing economic growth.

Yet it is not a simple calculation of entrants into the labour market and the jobs available. The effects on unemployment will depend on interlocking changes stretching from retirement policy and health care to the structure of final demand and job creation.

Michael Holman examines the bitter debate over troubled African economies

Complex reasons for failure

"RECOVERY has begun," declared a joint World Bank-United Nations Development Programme report on African economies, published in March this year. The words set off a furore which continues to reverberate, as other development agencies, non-government organisations and some leading economists vigorously assert that the continent's economic crisis is getting worse, not better.

What is more, they maintain that the Bank's structural adjustment policies in Africa, applied with the backing of the International Monetary Fund (IMF) and adopted by about 30 of the 45 sub-Saharan African governments, are exacerbating rather than easing the crisis.

Further fuel was provided earlier this month for what has become a bitter debate, when the UN Conference on Trade and Development (Unctad) joined in. Adjustment programmes, said Unctad in its 1989 Trade and Development Report,† "have so far produced mixed results and achieved at most limited success."

The real loser in the debate are the impoverished millions in Africa. The danger is that reforms under way will lose momentum if the governments adopting them begin to doubt their efficacy; while those governments which advocate alternatives have not been able to win backing from the main lending and aid organisations, with the result that decline continues.

One thing all contributors to the debate agree on: the past decade has been a development disaster for Africa. Only Mauritius and Botswana stand out as successes, the former for reasons set out in a separate article, the latter the result of pragmatic handling of its diamond windfall. Question marks now surround two countries once held up as development models – the Ivory Coast and Kenya – while Nigeria, home of one in five Africans, squandered its oil wealth during the 1970s and is today a debilitated giant.

The reasons for the failure are complex. A colonial inheritance which saw governments take office with a relative handful of skilled personnel is one; and weak management characterises nearly all African states to this day. Increases in oil prices in the 1970s, while providing a bonanza for a handful of African producers, had a severe impact, as did the rise in interest rates. Drought and war have also taken their toll.

But the World Bank-UNDP report* is at its most persuasive when it argues that poor government policies have been a major factor.

With currencies overvalued by perhaps a third when compared with competitors, Africa's competitiveness in the international marketplace was undermined: "If African countries had simply maintained their 1970 share of non-oil primary exports from developing countries, their export earnings would have been \$9-10bn higher a year in 1986-7," says the report, in one of its most telling observations.

"This shortfall is similar in magnitude to sub-Saharan Africa's annual debt service payments, or donor assistance. If Africa's export growth had matched that of other LDCs, its debt service ratio would be about half of what it is today."

Differences between the Bank and its critics have been at their sharpest, however, over the remedy for the malaise, rather than the reason.

Structural adjustment policies have included devaluation, cuts in budget deficits, higher producer prices in agriculture, the reduction or elimination of food and other subsidies, and either privatising state-owned enterprises or putting them on a commercial footing.

The joint Bank-UNDP report acknowledged that drawing general conclusions about the benefits is difficult. Nevertheless, it said, "evidence suggests that reforms and economic adjustment generally have led to better economic performance in the region."

Food production grew twice as fast in countries that had either liberalised food marketing or did not enforce controls, average annual export growth in countries taking the "adjustment medicine" was about double the rate of non-reforming countries, and decline in investment was halted, compared with continuing decline, observed the report.

The findings prompted an angry counter-blast from the UN Economic Commission for Africa (ECA), based in the Ethiopian capital of Addis Ababa.

Africa's decline, far from being reversed, "continued unabated," said the ECA. It accused the Bank of making "selective and inconsistent" use of economic data, and of overlooking the adverse consequences of adjustment policies on the poor.

Reference periods, the ECA argued, "seem to have been chosen, at least in some cases, to fit preconceived conclusions." It complained: "Countries that are not adhering to IMF and World Bank-supported structural adjustments programmes are being penalised and starved of resource flows."

Last July, the ECA published its own report#, elaborating on its criticisms and putting forward policy alternatives: multiple exchange rates, selective subsidies, cuts in defence spending, differential exports subsidies and limited use of deficit financing for productive and infrastructural investments. In the meantime, efforts continue to find ways to ease the burden of Africa's \$240bn external debt, one of the biggest obstacles to the continent's recovery. This month the World Bank is expected to announce a twin initiative to ease the debt burden of the world's poorest countries (most of which are in Africa) as well as reduce the plight of middle income debtors, such as Nigeria.

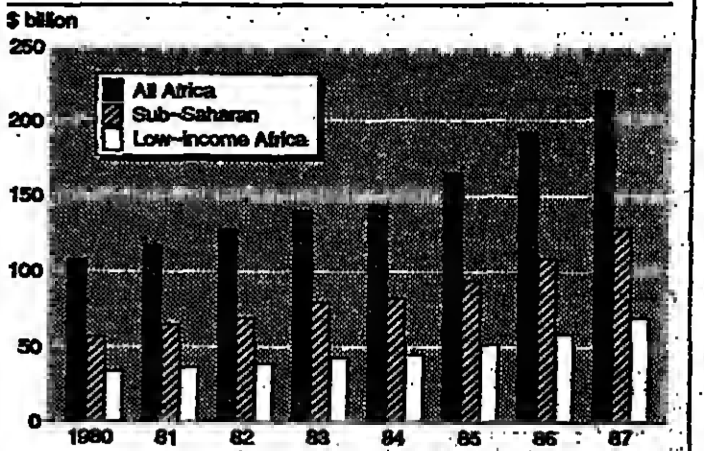
The combination of further debt relief and continued donor support may assist what on the face of it might seem a modest African recovery in the 1990s.

*"Africa's Adjustment and Growth in the 1980s," World Bank, 1818 H Street, Washington DC 20433, USA

+ "Trade and Development Report 1989," UNCTAD, Palais des Nations, Geneva

"African Alternative Framework to Structural Adjustment Programmes," Economic Commission for Africa, PO Box 3001, Addis Ababa, Ethiopia.

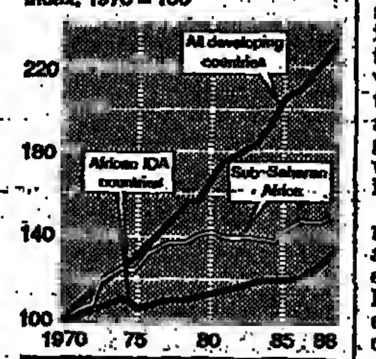
Africa's total debt



Source: World Bank, World Debt Tables, 1988-89

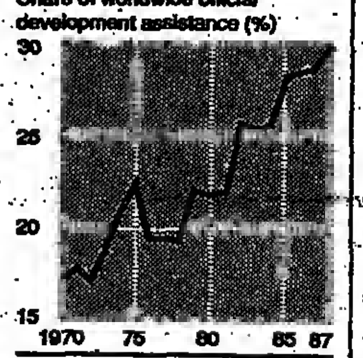
GDP

Index, 1970 = 100



Sub-Saharan Africa

Share of worldwide official development assistance (%)



The global sink

Continued from page 9

(excluding China) it is only 7 per cent.

Any agreement to curb emissions would, therefore, involve the most delicate international negotiations. India or China would have to be generously compensated for not being as wasteful as the US.

The equitable solution would be to allocate the rights to gas emission, globally, on an equal basis per head. Those emitting more than their share would then have to buy that right, so compensating the less advanced countries for the damage being done to a global 'common', the atmosphere.

National emission rights must then be turned into constraints on individual behaviour. An argument for using the price mechanism is that it would then be easier to identify whether other countries are cheating. A high price of gasoline is relatively visible, while controls are far more impenetrable to the outsider.

Monitoring will also be required, to ensure that only agreed quantities are being emitted and to update knowledge of the relation between emissions and atmospheric concentrations of gases.

All these mechanisms are merely a way of making painful adjustment more efficiently. The pain remains. Given available technology, the desired reduction in emissions may force radical changes in life styles. Consider, for example, the effects on American society of gasoline at \$10 a gallon. It is difficult to believe that politics will permit such changes, merely to ward off a potential threat a generation hence.

Economic analysis and methods can help to clarify and deal with major environmental problems. But those problems have much wider ramifications. If any attempt is to be made to curb the global emissions of such a pervasive industrial waste as carbon dioxide, a radical transformation of international relations and domestic economic arrangements will be required.

If this is indeed the problem, it is difficult to believe politics will allow a solution.

Cotton picking in Mauritius: the island's GDP has been growing at 6.2 per cent a year, since 1980

■ AFRICAN CASE STUDY: An economic breakthrough in Mauritius

Ambitious initiatives

WHILE several sub-Saharan countries show promising signs of turning the economic corner — most notably Ghana, Nigeria, and Kenya — only two, Botswana and Mauritius, have made the breakthrough into self-sustained growth. Neither is typical, with Botswana's success almost wholly reliant on the exploitation of rich diamond deposits, while Mauritius has pursued a path of export-led industrial growth unique to the region.

The Mauritian economic miracle is all the more striking because it illustrates how a sugar mono-economy, starting from a position of rampant inflation and high unemployment, made the transition to NIC (newly-industrialising country) status within 10 years. Since 1980, GDP has been growing at 6.2 per cent a year — outpacing some of the top Asian performers such as Singapore (6 per cent), Thailand (5.7 per cent) and Malaysia (4.7 per cent).

The main source of this growth has been manufacturing industry, where value-added has been increasing at more than 11 per cent a year, making the island's industrial sector one of the fastest growing in the world.

This success is explained by two main influences — an appropriate macroeconomic policy mix and the existence of the necessary supply capacity in terms of capital, both domestic and foreign, and of entrepreneurial and technical skills. In Africa, it is this latter input that is invariably missing, casting doubt on the capability of other sub-Saharan countries to adopt the Mauritian approach.

While the Export Processing Zone (EPZ) has been the engine of economic growth, doubling its share of GDP in the last seven years, sugar with 9 per cent of national product continues to play a crucial role. Indeed, much of the island's recent economic success is attributable to the far-sighted recyling of sugar profits into textiles in the EPZ and also into tourism.

This diversification out of sugar must now be followed by diversifying away from textiles. Clothing and textiles currently account for 88 per cent of EPZ value-added which has made the island extremely vulnerable on two counts — quota restrictions in the US market, and the recent weakening of demand in the vital EC market where a succession of warm winters has undermined demand for knitted garments.

At the same time, the export drive is being threatened by supply-side constraints. The most serious of these short-term constraints is the emergence of full employment on tha island, with the unemployment rate down to 2.5 per cent in mid-1989 from 23 per cent 10 years ago. Textiles and the entire EPZ developed on the strength of a plentiful supply of well-educated workers, but this has now dried up, resulting in widespread poaching of workers, increased labour mobility and sharply higher wages. Employmant growth and new venture creation has slowed too, forcing managers to opt for more capital-intensive prodnction techniques which in turn require more highly-skilled personnel.

The Government has reacted to both the demand and supply constraints by mapping out a new industrial strategy for the 1990s, with the focus shifting upmarket towards greater value-added products. At the same time, manpower training has been given far greater weight. Mr Vishnn Lutchmeenaraidoo, *the Finance Minister*, warns that unless Mauritius makes the transition to a more capital-intensive economy, it will stagnate as "a half-baked NIC."

Mr Lutchmeenaraidoo is the architect of the island'a planned shift to a service economy. Barclays recently became the first bank licensed to operate an offshore branch in Mauritius and the Government hopes to issue half a dozen such licences in the next year.

Port Louis is to become a free port and entrepôt centre, offering warehousing facilities to foreign manufacturers seeking markets in Africa.

Some of these ambitious initiatives may come to nothing, but the mere fact that the Government has struck out along this path underscores its recognition of the dynamic nature of economic development.

In the early 1980s, Mauritius courted foreign investment on a unselective basis. It offered cheap labour, a good infrastructure and an extremely attractive tax environment. With high unamployment, quantity rather than quality was what counted. Today, foreign investors are required to *perform different functions*. It is the technology and expertise they bring, along with tha access to international markets, that is important.

While the labour and skills constraints are the two factors most likely to result in slower growth over the next few years — GDP will grow at 4 per cent this year after 5.7 per cent last year and an average of 8.7 per cent in 1986-87 — two other influences should not be overlooked. The first is the sheer pressure on infrastructure and space on this small, crowded island, and the second is pollution which is an increasingly serious problem that threatens to damage the tourist industry — the third largest foreign currency earner after textiles and sugar.

The lessons of the Mauritian economic miracle are that rational budgetary, monetary, and interest and exchange rate policies are required to create the appropriate environment for private initiatives to take root. But macroeconomic policies are not sufficient for sustained export-led growth. Two other prerequisites mnst be satisfied — unrestricted access to international markets which is increasingly difficult for developing countries once they reach a "threshold" of market penetration in North America or the EC, and, even more important, the domestic capability to develop non-traditional exports as distinct from exploiting an available natural resource like oil or copper.

Tony Hawkins

General Agreement on Tariffs and Trade

Bold plan to shape the world trading system

JUST OVER a year from now, the General Agreement on Tariffs and Trade is set to complete its most ambitious round of multilateral trade negotiations ever.

In late November 1990, around 100 trade ministers will come together in Brussels to set the seal on a set of agreements that are supposed to determine the shape of the world trading system for the new decade.

Much store has been set by this negotiation which was launched in 1986 in Punta del Este, Uruguay, as the antidote to forces of protectionism which, then as now, were perceived as growing as the US sought to grapple with its ballooning trade deficit with Japan.

It is still too early to say whether tha Uruguay Round will succeed in averting what sceptics fear is a dangerous slide to bilateralism and protectionism in international trade policy, but as the Uruguay Round moves into its final stages three, seemingly contradictory trends have become apparent.

■ First, the Round has proceeded much faster and more smoothly than many expected despite an ambitious agenda which includes, for the first time, the notoriously difficult items of reforming world trade in agriculture and textiles as well as new issues snch as trade in services, intellectual property rights and trade related investment.

■ The second is the seeming acceleration of the US drift to unilateralism in its trade dealings, typified in its decision to cite Japan, Brazil and India under as unfair traders under the terms of last year's Trade Act.

■ The third is the surge in world trade volumes, which has continued despite the evident strains affecting the system. Gatt is now forecasting 7 per cent growth in world trade in goods this year, only slightly down on last year's 8.5 per cent.

On the surface, it is hard to reconcile smooth progress in the Round with the rise in US protectionism. Closer consideration might suggest that the emphasis now being placed on the positive by trade officials around the world itself reflects their underlying concern about what may happen if the Round falters.

The US decision to cite Japan, Brazil and India under its Omnibus Trade Act is not the only example of unilateral trade action this year. It has also issued warnings to a number of other countries that they could face sanctions if they fail to change their policies on trade in telecommunications and the protection of intellectual property.

Equally worrying for many trada policy experts, it has refused to accept a ruling that part of its Trade Act dealing with patent protection infringes Gatt rules.

In Europe, the fear that the Community could retreat behind fortress walls in setting trade policies for its single market has abated somewhat since last year, but member states still face some difficult decisions in specific areas like trade on automobiles and local content requirements.

Yet it is to the US that trade policy-makers now look to set the tone, and here the crucial consideration is bilateral trade relations with Japan, where the US is still in deficit to the tune of more than \$50bn. The Administration is under remorseless pressure from Congress to deal with this problem which is seen not only as an affront to US pride, but also a threat to national security as Japanese financial and technological power grows.

The evidence so far suggests that the Bush Administration is yielding little to these pressures. Despite the outcry which followed its citation of Japan, India and Brazil, most trade experts agree that its action was little more than the minimum required under the law. Similarly, the more recent decision to extend steel import restraints for jnst 2½ years compared with the the five years sought by the domestic indnstry betrays a White House predilection for liberal trade.

Japanese goods, ready for export: a crucial consideration for Gatt policy-makers is bilateral trade relations with Japan, where the US is still in deficit to the tune of over \$50bn.

The Uruguay Round plays a pivotal role in this policy. It would be a means of demonstrating to Congress that tough rules are in place to ensure a level playing field in international trade, that it is no longer possible for foreigners to plunder US technology or to exploit its own economic openness while keeping their markets closed to US goods.

The idea is that Gatt should emerge from the Round strengthened and more respected, which is why the US has put its support firmly behind a tough schedule to finish the Round on time in 1990.

Yet Congress has long been sceptical of the Gatt and time is short. Despite the speed and relative ease with which the groundwork has been completed, the Uruguay Round talks have so far skirted around serious issues in areas like textiles, agriculture and intellectual property. Between now and the end of the year, the idea is that players in the Round will make their positions clear in all these areas. That will be followed by a period of bargaining up till mid-1990 and then an agreement will be refined.

In the course of this process, some real political sacrifices will be demanded of all key players if the Round is to produce a meaningful result.

The risk remains that these will not be forthcoming and the final document will represent a compromise that is low on substance.

Without a willingness to open its markets more to textile imports from developing countries, for example, the US may fail to achieve the stronger rules it wants for protection of intellectual property. The fear then is that Congress may not buy the agreement or that the Administration may be tempted to adopt an even stronger unilateral line.

The received wisdom is that this would lead to the formation of regional trading blocs and bilateral managed trade arrangements.

Some experts view the US/Canada Trade Agreement as harbinger of things to come in this regard.

Europe's Single Market could be another example, and more recently pressures have been growing for greater trade and economic co-operation among the countries of the Pacific Rim.

The chances of such total fragmentation of the system are slim, however. What is more likely is that trade disputes would increase and that without a strong Gatt to police the system, lawlessness would prevail, leading to managed trade in certain products which would squeeze developing countries further out of the system and impede growth in the industrial world.

Against this backdrop, it would be surprising if the recent strong performance of world trade flows could survive.

Peter Montagnon

The battle is not yet over for the world's equity markets, says **Daniel Green**

Caution is still the watchword

THERE WAS once a time when stock markets seemed to provide a good leading indicator of the state of a nation's economic health.

If that were still the case, the buoyancy of world equity markets since the start of 1989 would mean that investors and analysts had decided that the world was not heading for recession.

However, a mixture of technical factors have this year conspired to suggest that this is *not* the whole story.

Upward pressure on interest rates seems to be easing

Most bourses have this year broken through all-time highs. Tokyo, for instance, was trading earlier this month at a premium of almost 30 per cent over its valoe the day before the crash of October 1987. New York was more than 20 per cent better. Londoo was only 4.3 per cent higher, but the FTSE-100 index had grown 34.7 per cent since the start of the year.

Part of the rise can be ascribed to relief that the 1987 crash and the monetary action taken in its wake have not led to a slump. Upward pressure on inflation and interest rates seems to be easing, especially in the US where bond yields have fallen.

International trade flows have turned a corner; not only do economies appear to be on the long road away from huge imbalances, but in a world of easy capital flow, they are reduced in importance.

Growth in traditionally strong economies, such as Japan and West Germany, is once again leading those of the rest of the industrialised world. In terms of their share price performance this year, however, those countries are exceptions.

Although it has reached successive record highs, the Nikkei-Dow has advanced only slowly since January. Confidence has been restrained by the unfamiliar uncertainty arising from political scandal and the emergence of a measure of inflation.

West Germany has differed from other OECD members this year in putting on a spurt of economic growth. The resulting inflationary pressure has been only mild, so quoted companies bave been re-rated.

The balance between the need to control inflation and the effort to limit the damage done to an economy by expensive money is more delicate in the United States and the rest of Europe. In the UK it is particularly awkward.

Snch variehle certainty might have been expected to dampen the popularity of equities. The saving grace has been a string of technical factors.

Equity dealers are jittery. Memories of Black Monday are fresh, and many younger traders still bear a raw scar that twinges whenever optimism rears its head.

Dealers are unwilling to take hig positions in any one stock. The result is an almost perpetual stock shortage, which exaggerates the effect on a share's price of buying or selling.

While the dealers struggle to keep as few shares as they can on their books, their clients are swimming in cash. The corporate finance fashions of the late 1980s have conspired to put liquidity into a market which is running short of vehicles in which to place the funds.

Leveraged and management huy-outs have combined with debt-laden corporate raids to exchange stock held by investors for cash.

Buy-outs and takeovers usually take place at a premium to the market value of a stock. In a thin market, share prices can swing wildly as dealers fight to find the shares needed to fulfil buy orders.

The squeezing of supply is exacerbated hy the cootinued popularity of junk financing, and its spread from Drexel Burnham Lambert to the rest of Wall Street and now to the UK, as demonstrated by Hoylake's £13bn bid for BAT Industries. With that trend has come a reduced flow of rights issues, which would have sopped up some of the liquidity. According to the magazine Business Week, US companies this decade retired nearly $500bn in equity while piling on almost $1,000bn in debt.

Such is the huying power of investors that cash is sent spinning out of domestic markets in search of foreign equities. Salomon Brothers estimates that in value terms the market for equities traded outside their home country has grown at an average rate of 36.6 per cent a year compound since 1979. Some of that the liquidity has even spilled into junk equities traded on embryonic or Third World exchanges.

Rising markets are likely to be tempered by small corrections

The Portuguese Government's privatisation programme, for example, has been a magnet for British, Spanish, West German and French buyers this summer. The local index rose 28 per cent in five weeks to September 4. Hardly a week has gone by this year without news of a once-sleepy stock exchange accelerating to new highs. South-east Asia heads the popularity list, along with New Zealand, Austria and Mexico.

In fact, despite rising indices, investors' endorsement of equity markets is not wholehearted. Trading volumes are significantly lower than they were in the first 10 months of 1987.

In a sense, equity markets have suffered from some inflationary pressure, not unlike that in the wider economy; investment money supply has grown much more quickly than the supply of investment goods.

It is not inflation in the sense that the intrinsic value of shares varies. Price/earnings ratios have long been deemed unsatisfactory as guides to the value of equities, but no adequate alternative has been found which can command the respect of investors. In the resulting menagerie of valuation tools, market players can choose one which one best fits their decision to huy or sell.

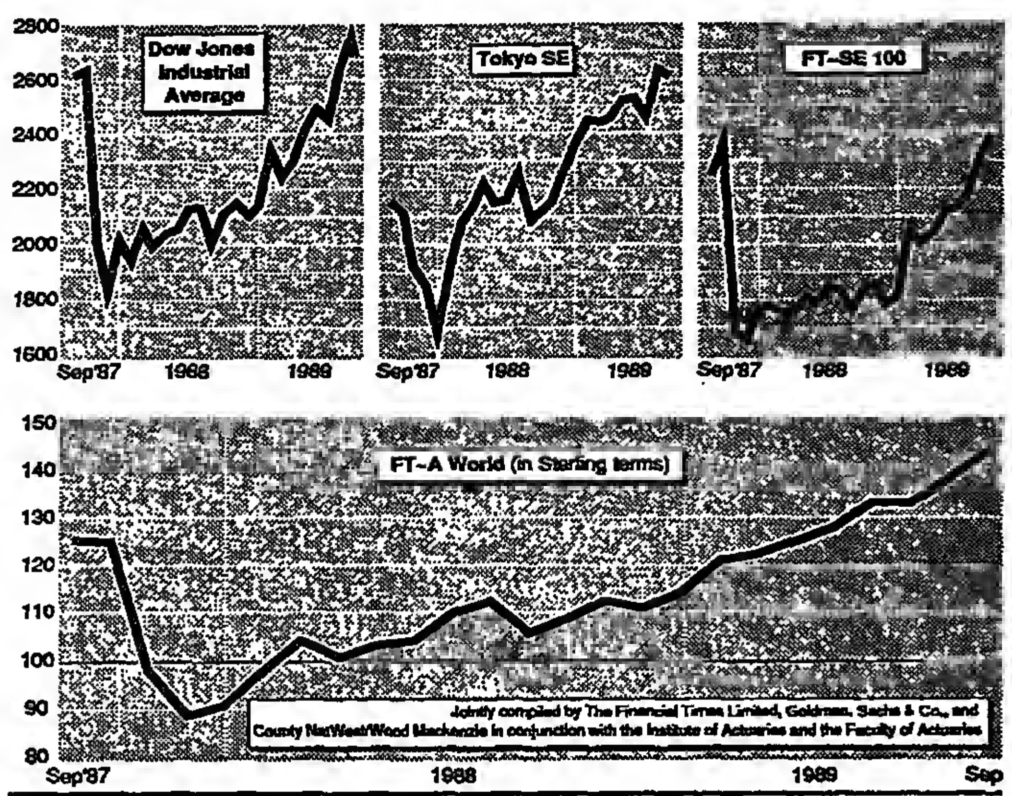
Some analysts seek to justify the strength of world bourses in terms of the changing scenery on the world's political stage. In the past, political crises, such as the Arah oil embargo of 1974, Middle East wars and attempts to assassinate US presidents have caused a flight of capital from equities to gold. But where are the sources of such world instability today? The Warsaw Pact seems to be dismantling traditional communism, China is preoccupied with internal matters and Middle East oil exporters seem emasculated by low prices and overproduction of oil.

The prospect of a liberal democratic capitalism spanning a world without dangerous opponents, at least one US analyst argues, has done precisely what it should for equity prices.

Most observers are more cantious. Equity markets have still to wrestle with the consequences of an economically liberalising Eastern bloc, the establishment of a single European market, and the possible dampening of growth as the environmental lobby gains support. With the Brady Plan, the US has tried to seize the initiative in the battle to contain Third World debt. The battle is not yet over, and interest rates remain uncomfortably high for both corporations and nations.

Such widespread caution means that rising markets are likely to be tempered hy small downward corrections rather than a crash. But if one came, it might surprise fewer people than its counterpart two years ago.

Recovery of equity markets



FINANCIAL MARKETS

US dollar is the tail that wags the dog

IN THE complex and uneasy relationship between the world's financial markets and the global economy, it has once again been the US dollar which has dominated economic policy-making this year, leading some commentators to label the US currency "the tail that wags the dog" of the world economy.

There is no doubt that the monetary authorities of the world's leading economies have spent a good part of the year attempting, not always successfully, to control the excesses of the dollar, employing the dual weapons of central bank intervention in the international foreign exchange markets, and the raising of domestic interest rates to combat imported, dollar-led inflation.

The relatively high US interest rates continue to attract foreign capital

The difficulty in restraining the dollar's rise which, in spite of June's sharp downward correction, looks like being maintained at a steady pace in the coming year, has been rooted in a number of factors.

The perception that the US economy will not now sink into recession, rather that it will grow at a respectable 2 or 2.5 per cent in 1989, has led to a marked improvement in US economic sentiment.

Worries about US inflation appear to have been equally overdone, as the high interest rates of 1988 and early 1989 succeeded in putting the necessary hrake on domestic consumption.

The relatively high US interest rates (the key Fed Funds rate currently stands at 9.25 per cent) continne to attract foreign capital to the US, as has an easing in concern about the trade deficit which some observers believe may have peaked (and is actually falling relative to gross national prodnct).

Political turmoil and uncertainty in the Far East have made something of a safe haven of US assets, and a general confidence in US monetary policy, and in particular in the stewardship of Mr Alan Greenspan, chairman of the Federal Reserve, has only made the dollar more attractive.

The movement into US assets has been smoothed by the continued liberalisation of capital and financial markets, which has allowed international capital to move ever more freely and quickly from one market to another. This shift of money into the US has been most marked from Japan, where surplus savings and capital have moved into dollar assets, a trend which has led to both a stronger dollar and a firmer US treasury bond market.

Yet the internationalisation of capital has created considerable problems for economic policy-makers, leading some commentators occasionally to ascribe to financial markets – and the dollar in particular – the power to shape international monetary policy.

Mr Mark Cliffe, international economist at Nomura Research in London, believes capital flows (mostly into the US) in the past year have placed a greater emphasis on co-operation among international monetary authorities.

"We have seen, and not just in Japan hut in the US and Europe as well, a tendency for financial institutions to increase the proportion of foreign assets in their portfolios. This is a structural trend which the mouetary authorities are currently having to grapple with, and which puts them under pressure to co-ordinate their policies and be ever-vigilant abont the consequences of their actions for financial markets."

The strong dollar has had its greatest effect ou monetary policy outside the US. The greatest concern is the threat from dollar-led inflation; oil and world commodities are denominated in dollars, and a strong dollar pushes up energy and raw material costs, fuelling inflation in developed economies.

This has forced monetary anthorities, particularly in Tokyo, Frankfurt and to a lesser extent, London, to raise domestic interest rates (and keep them high) to counterbalance the inflationary influence of the dollar.

The strong dollar has had its greatest effect on monetary policy outside the US

In Tokyo the rise in the official discount rate at the end of May from 2.5 to 3.25 per cent was in part required to put the brakes on a rapidly growing economy, but there was also a need to bolster a flagging yen against the dollar.

The difficult triangular relationship between financial markets, in this case represented by the dollar, monetary policy and the real economy, was neatly encapsulated in a recent comment on the Japanese economy from Goldman Sachs, the US investment bank.

Its assessment of the future direction of Japanese monetary policy included the following warning: "Further increases in short-term interest rates seem probable, essentially to cool an overheating domestic economy, although such moves are likely to be actually triggered hy events in the foreign exchange markets and are unlikely to occur until the dollar's recent correction is seen to be clearly over."

The dollar creates another problem for monetary authorities in that central bank intervention in foreign exchange markets to hold the dollar's rise alters the shape of the domestic money supply; in effect, it reduces the monetary base. Because intervention has been required so often in the past two years, the unsettling effect on the monetary base of the UK, West Germany and Japan has been considerable.

The authorities seem quite happy to see the dollar stay at its present level

In an attempt to counteract the effect of the selling of dollars on the monetary base, central banks have in the past two years practised more of what is known as "sterilised" intervention.

This is when, for example, the Bank of England, having sold dollars (most probably to commercial hanks) in exchange for sterling to stem the dollar's rise, is forced into the money markets to replace the resultant lost liquidity by purchasing domestic assets via the redemption of gilts held by those commercial banks.

If aterilised intervention were not practised, the subsequent reduction in the UK monetary base would have led to tighter conditions in the money markets and placed npward pressure on already high interest rates. In other words, central banks are being forced by the dollar's strength to tinker with their own money supplies in order to maintain domestic monetary stability.

The worry now is that the dollar will remain high. Although the monetary stance of the US authorities is likely to ease in the coming year, it will probably be insufficient to take the gloss off the dollar.

More important, the US authorities seem quite happy to see the dollar stay at its present level, rejecting demands to talk it down. The Fed also appears ready to tolerate a steady rise in the dollar throughout the remainder of 1989 and into next year, all of which will maintain pressure on other monetary authorities to keep interest rates high in the battle against inflation. The dollar, it seems, has some more wagging to do.

Patrick Harverson

Hope for a better future

Continued from page 1

unfinished husiness" in such areas as deregulating labour markets, competition policy, liberalising trade, dismantling subsidies, making agricultural production more responsive to market forces and generally rolling back therole of the state in the economies of its 24 member states.

But work carried out inside the Paris-based "think tank" points to an increase in the annual non-inflationary growth potential of some of the leading industrial countries of about half a percentage point from the 2 per cent annual rates estimated in the 1970s. Such seemingly small percentage point changes translate into a lot of gross domestic product.

The sight of the major economies co-ordinating policies to promote world growth may also have bolstered confidence among entrepreneurs and consumers and so helped stimnlate the investment boom of the past two years and last year's impressive 9 per cent growth in world trade.

Financial markets, remembering that the October 1987 crash was preceded by a public row between the West German Bundesbank and the US Treasury, have responded favourably to the way in which the G7 leaders and finance ministers now go out of their way to spread a message of harmony.

On the foreign exchange markets, recent strong upwards movements of the dollar against the Deutsche Mark and the Japanese yen have at times made a mockery of the exchange rate limits that were supposed to exist under the Louvre Accord. But foreign exchange operators retain a healthy respect for central bank intervention and have seemed content to take small but assured profits from relatively minor currency movements rather than speculate on a massive scale.

Economists helieve that regional trade pacts such as the US-Canada trade agreemsnt and the European Community programme for e barrier-free internal market by the end of 1992 have also acted as a stimulus to investment, employment and growth.

But as companies in Europe and outside rush to adapt to the new conditions of the 1990s, there are also fears, especially outside the EC, that the 1992 project could turn out to be trade restricting rather than trade enhancing, despite all Brussels' protestations to the contrary.

Such fears are understandahle. Among the many pitfalls confronting world policy-makers, protectionism is one of the most serious.

On the one hand, optimists can point to the rapid progress that has been achieved in the Uruguay Round of trade liberalisation talks, despite the presence of difficult subjects such as agriculture and services on the agenda. On the other, the US decision to use the controversial Super 301 provisions of its 1988 Trade Act to brand Japan, Brazil and India as "unfair traders" smacks dangerously of the kind of unilateralism and bilateralism that could spell the demise of the multilateral world trading system.

The issues of trade protectionism, the current account imbalances between the US, Japan and West Germany and the perennial problem of the US budget deficit are all linked. All are far from solution. If the world economy has an Achilles' heel, it probably lies in the threat posed to its trading system.

In the short-term, however, it is the financial markets that will keep policy-makers ou their toes. In an age in which capital flows freely and massively between countries, the foreign exchange, bond and equity markets act as a system of checks and balances. The markets restrain the whims and fancies of finance ministers and central bankers and impose e degree of conformity on economic and financial policies.

The markets can provoke policy changes and the departure of familiar faces. The transfer earlier this year of Mr Gerhard Stoltenberg, West Germany's long-serving former Finance Minister, to the Bonn Defence Ministry can be largely traced to the huge DM121bn outflow of long- and short-term capital from West Germany that followed his ill-starred plan for a 10 per cent withholding tax on D-mark assets. The D-mark has still to regain its previous strength in the pantheon of world currencies despite West Germany's large and growing trade surplus.

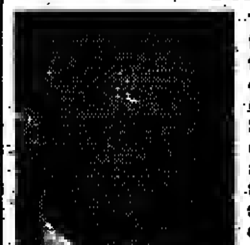
It is a sobering thought that the FT's last two annual surveys of the World Economy painted a generally favourable picture of trends, only to be followed by upheavals on the financial markets. In 1987, there was the global stock market crash. Last year, the dollar experienced a precipitate fall after the election of Mr George Bush as US President.

New upheavals are always possible. But if economic policy-makers can keep up their recent record of successfully "muddling through," the world looks as if it will be sailing into a new decade in far better shape than it did 10 years ago.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 26 1989

INSIDE

Soviets explore links in oil



The Soviets are so keen to get western assistance in oil and gas exploration and development both in the Barents Sea and on-shore in Siberia, the Caspian region and the Arctic Circle, that they have been showing surprised western geologists data that even western companies would keep secret. In the Brezhnev ara, offers of help to develop the Barents fialds were turned down, but tha perestroika of President Mikhail Gorbachev (above) has changed that policy. Page 36

Black news from A. Goldberg

Unfortunately for A. Goldberg, tha Glasgow-based stores group fighting a hostila £32m bid from Blacks Leisure, it has had to tell shareholders that operating losses in the first five months of the year have been incurred at a higher rate than in the second half of 1988/9. Paradoxically, this dismal warning may have given the company its best chance of surviving the attack. Page 35

Jolts shake Jordanian finance

Petra Bank of Amman expanded aggressively in the 1980s during Jordan's economic boom, but in August, the Government took it over under martial law regulations as financial irregularities were discovered. Foreign bankers now wonder if they are in for any more shocks from Jordan's notoriously overcrowded banking market. Page 29

Bolstering an Italian bank

Professor Antonio Longo does not like people to say that he is mounting a "rescue" for Banca Nazionale del Lavoro (BNL), the scandal-ridden Italian bank which is soon to receiva $1.4bn of fresh capital, $1.15n from Istituto Nazionale delle Assicurazioni, the state insurance concern that he chairs. "BNL doesn't have any liquidity problems. We are just helping them to bolster their capital ratios," he says. Page 28

Divided they cannot rule

Independence has been the watchword for West Germany's leading financial house Matuschka since it was formed in 1970 by its chairman, Count Albrecht Matuschka. It remains the priority as the group sells a 25 per cent stake to six international institutions, including the Japanese financial housa Nomura (logo, above). The largest stake is five per cent: splitting the holding stops the group being controlled by one shareholder. Page 31

Market Statistics

Base lending rates	44	London share service	42,43
Benchmark Govt bonds	31	London traded options	31
European options exch	44	London tradt. options	31
FT-A indices	31	Money markets	44
FT-A world indices	48	New Int. bond issues	30
FT Int bond service	30	World commodity prices	36
Financial futures	44	World stock mkt indices	45
Foreign exchanges	44	UK dividends announced	32
London recent issues	31	Unit trusts	38-41

Companies in this section

Adolph Coors	28	IBM	26
Alusuisse	26	INA	28
Armstrong Equip	33	Jove Investment Tst	33
BNL	28	Lloyd Thompson	33
Bond Corporation	28	Lomas Financial	26
Brent Chemicals	33	London & Edinburgh	34
Caparo	33	MAI	33
Capita Group	32	Memec	35
Cook (DC)	32	Metalrax	34
Cornwell Parker	32	Miller (Stanley)	32
Cussins Property	34	Myson Group	32
Eagle Trust	33	Philips Industries	26
Ewart	32	Porter Chadburn	34
FII Group	34	Queens Moat Houses	34
Ferranti Intl Signal	33	Rockwell	26
Finlay Packaging	33	Spear (JW)	34
GPG	34	Stroh Brewery	28
GT Japan Inv Trust	32	Switzer	32
High-Point	32	Texas Instruments	28
House of Fraser	32	Trelleborg	28
How Group	34	Union Bank Switz.	26

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Michelin	169.8	+	9.2
Commerzbank	263	+	4	Roussel	2400	+	160
Feldmuehle	493	+	13.5	Sodexho	4230	+	226
Karstadt	663	+	12.2	**Falls**			
Nixdorf Comp.	374.8	+	4.8	Saip	432	−	22.7
Falls				C.M.B. Pack.	241	−	15
Degussa	548	−	4.5	**TOKYO (Yen)**			
Schering	804.5	−	5	**Rises**			
NEW YORK ($)				Fumakilla	1160	+	100
Rises				Kawaguchi Metal	1180	+	120
Coca-Cola	63	+	⅝	Nissan Fire	4050	+	350
Columbia Pic.	26⅜	+	5¼	**Falls**			
Falls				Daiwa Const.	1750	−	130
Gen. Electric	55⅜	−	⅝	Kuribayashi Ship	1890	−	200
Philip Morris	155½	−	2⅛	Shikoku Chem.	1080	−	80
Texas Air	17⅛	−	1¼				
AMR	77⅞	−	1⅜				
PARIS (FFr)							
Rises							
Metrologie	261	+	20.2				
LONDON (Pence)							
Rises				SPB Inds.	262	−	5
ApricotComp.	76	+	6	Brent Chem.	140	−	4
Brit. Telecom	284	+	6	Comm. Union	443	−	6
Bunzl	142	+	5	Comm. Hospital	183	−	15
Caradon	491	+	27	GKN	449	−	4
Carbo	225	+	5	Jaguar	576	−	5
Cosalt	258	+	8	Memec	189	−	28
DRG	595	+	7	Miller(Stanley)	159	−	24
Lucas Inds.	684	+	4	Redland	565	−	5
Tilbury Grp.	618	+	10				
Falls							

US studies BA role in UAL buy-out

By **Roderick Oram** in New York and **Paul Betts** in London

THE US Department of Transportation has launched a study of the buy-out of UAL, parent of United Airlines, focusing in part on the role British Airways proposes to play as a shareholder in the second largest US carrier.

The study, coming just before BA launches a rights issue to fund its UAL stake, heightened speculation in the US and tha UK stock markets that the US regulators might force changes in the structure of the $6.8bn UAL buy-out.

Despite the latest initiative by the transport authorities, BA was widely expected last night to go ahead with the launch today of a £300m rights issue of hybrid convertible securities to raise part of its $750m contribution – about 78% of the equity – to the buy-out.

Mr Jeffrey Shane, assistant transport secretary for policy and international affairs, has asked UAL to answer an extensiva list of questions on the proposed buy-out by October 10.

Judging by the six-page questionnaire and two page cover letter sent by Mr Shane to Mr Steven Wolf, UAL's chairman, US regulators are increasingly concerned about the influence foreign airlines hope to have on US carriers and about heavy debt loads incurred in buy-outs.

The Transportation Department was trying to "analyse whether the acquisition will affect United's fitness and citizenship," Mr Shane wrote.

The authorities' initiative has cast a cloud over the proposed senior management buy-out. UAL shares fell in New York on worries that the US Government may seek to cut the equity stake BA is planning to take in the carrier. In London, BA shares closed 2p down at 216p.

In return for its 78% contribution, BA will receive a 15 per cent voting stake while UAL's employees will have 75 per cent and management 10 per cent.

US law bars foreign airlines from holding more than 25 per cent, but regulators are worried that if BA contributes the lion's share of the equity it will have influence in UAL's affairs.

The department has expressed similar concerns in the acquisition of NWA, parent of Northwest Airlines. Mr Samuel Skinner, Transportation Secretary, met Mr Al Checchi, leader of the buy-out group, on Friday to give him the department's verdict of the deal.

KLM Royal Dutch Airlines is due to invest $400m, or 57 per cent of the equity in the Checchi group, in return for a 5 per cent voting stake. According to US reports, the Transportation Department is seeking a reduction in KLM's infusion to a maximum of 25 per cent, or $175m.

Representatives of NWA, Mr Checchi and KLM said they would have no comment until the department makes its findings public later this week. KLM said it was still confident the deal would go through although there could be "minor changes."

The department is also likely to enforce a closer review of NWA's activities on a monthly rather than quarterly basis.

Del Monte process food side sold for $1.48bn

By **James Buchan** in New York

RJR NABISCO, the US tobacco and food group which is trying to raise cash to reduce its debt burden, has sold most of its Del Monte processed food business for $1.48bn after Merrill Lynch, the Wall Street investment bank, stepped in to rescue the deal.

The new package, which brings in Kikkoman, Japan's largest soy sauce producer, as an investor, was assembled by Merrill Lynch after the Federal Reserve, which regulates the US banking industry, expressed reservations about Citicorp, a commercial bank, leading the transaction. Small Business Administration Act regulations limit commercial banks' industrial holdings.

The sale of most of Del Monte, one of the world's largest canners of foods, means that RJR has raised $4.9bn in asset sales as part of its plan to pay off the debt taken on its record-breaking $25bn leveraged buy-out. Mr Louis Gerstner, RJR chairman, said yesterday: "The Del Monte transactions bring RJR Nabisco close to completion of our plan to reduce ovarall debt by $5.5bn."

Under the new arrangement, Merrill Lynch, which was advising Citicorp, will now take the biggest equity stake. An investor group consisting of Merrill, Kikkoman, Del Monte management and Citicorp Capital Investors, an arm of the venture capital organisation, will invest $225m in equity. However, Citicorp will be involved in lending to the deal.

RJR is to hold on to Del Monte's Canadian business and its Venezuelan operation.

● Polly Peck International shareholders have approved the company's $875m acquisition of the Del Monte fresh fruit operations.

Lex, Page 24

Polly Peck tries on Carmen Miranda's hat

Vanessa Houlder looks at the group's purchase of Del Monte's fresh fruit business and the rapidly changing face of the industry

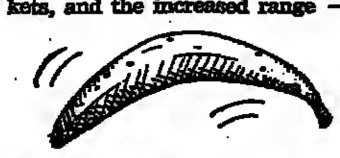
Far-reaching changes to the distribution system for fruit and vegetables, transforming it from a series of small, locally-based businesses to an increasingly international industry, lie behind Mr Asil Nadir's announcement last month that his Polly Peck International will pay RJR Nabisco of the US £557m for the fresh fruit operations of its Del Monte subsidiary.

The signs of change are to be seen on the fruit and vegetable shelves of the local supermarket, where something of a revolution has taken place over the past few years.

Hitherto unknown varieties such as mangos, papaya, fennel and kumquats now jostle for attention with the more traditional types of fruit. Moreover, the days when produce had a season have been swept aside by a wave of imports. Accordingly, the last two decades have seen a sixfold increase in the range of fruit and vegetables, so that now supermarkets often stock some 400 varieties.

This is a worldwide trend according to Mr Tony Millar, chairman of Albert Fisher, a distributor with interests in Europe and the US. "The consumption trends are very similar with more and more international travel. People are exposed to new tastes and are willing to experiment," he says.

Fresh produce counters are the most profitable part of supermarkets, and the increased range –

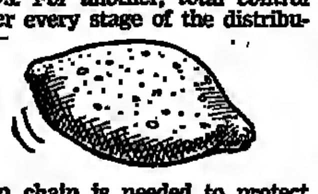


along with the zeal for healthier eating – is pushing up margins and sales. Volumes are growing by an estimated 3-5 per cent each year worldwide, expanding a US market worth $30bn (£19bn), and a European market worth £20bn of which the UK accounts for about £3bn.

Polly Peck, which began 10 years ago by handling produce from citrus groves in Cyprus, now imports from every corner of the globe in an attempt to provide fruit all the year round. Its deal with RJR Nabisco makes Polly Peck the third largest fruit distributor in the world, rivalling the US companies United Brands and Castle & Cooke, which have the Dole and Chiquita brands. Del Monte brings with it 48 per cent of the North American pineapple market and 19 per cent of the North American banana market, both of which are unusually consolidated markets for the fruit industry.

Del Monte is expected to strengthen Polly Peck's position in the North American and Far Eastern markets. In addition, Polly Peck intends to use the Del Monte brand name to enhance margins on its existing products. It points to the US, where it reckons branded products get a 20 per cent price premium over their unbranded counterparts.

But this question of branding is somewhat contentious, particularly where Europe is concerned. "There is a fairly lively debate about the value of branding," says Mr Doug Henderson, fruit director of Geest, the UK fresh produce group. For one thing, there is a tendency among multiples to prefer their own labels, he says. For another, total control over every stage of the distribution chain is needed to protect the quality of the produce.



Polly Peck has integrated the early stages of its distribution chain, but it still relies heavily on wholesalers. In an attempt to achieve a greater degree of vertical integration it has recently bought its own distributors in the Netherlands and Germany.

The experience of Del Monte makes Polly Peck even more eager to bypass the wholesaler. Over the past three years, Del Monte has succeeded in selling 60 per cent of its produce direct to supermarkets, which increases its profitability and gives it an extra marketing edge. It has, for example, boosted its pineapple sales three-fold in stores where it has installed automatic pineapple cutters.

However, selling direct to supermarkets can be an unforgiving business. In the UK, where just five chains control about half the market, distributors' margins are squeezed very tight.

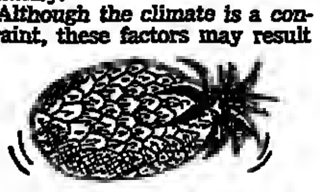
This is one reason why some UK distributors have been finding the going tough. Those which have been most vulnerable, according to Bill Myers, an analyst at Henderson Crosthwaite, have been those exposed to the risks of fruit growing (a bout of disease or frost can decimate profits) and an emphasis on lower margin products, such as apples, oranges, or bananas.

One consequence of the power of retailers and their demands for high volumes and consistent quality is a degree of rationalisation of the fresh produce distribution trade. Given the heavily fragmented nature of the market, acquisitive companies are rapidly able to amass large market shares.

Another side effect of the increasing clout of retailers is that they can demand technical improvements such as temperature-controlled distribution. They also can exert a positive influence by working with producers to improve growing techniques and create a wider range of produce.

The influence of major retailers, however, is not the only factor prompting a change in sourcing patterns. In Europe, these have been affected by the EC and the rise of Spain's fresh produce industry.

Although the climate is a constraint, these factors may result



in more trade within Europe than at present. Europe grows just over two thirds of the fruit which it consumes.

"With the emergence of the EEC and the impact of legislation in Brussels, there is no doubt that the EEC is progressively more self-sufficient in food supply," says Mr Henderson of Geest.

Even those products that cannot be grown in Europe are being affected by the prospect of disappearing trade barriers in 1992. Some banana-exporting companies, for example, are concerned about the prospect of altering the rules which have provided some protection for growers in former French and UK colonies.

There has also been a sharp rise in the importance of South America, largely because it has become an increasingly important source of out-of-season produce to the US, which has tripled its consumption of imported fresh fruit since 1980. It is not clear whether the rise of imports and the trend towards greater variety for the consumer will continue.

Food buffs frequently criticise the incongruity and lack of flavour of out-of-season produce.

However, tha supermarkets are confident that the consumers' interest in a large range of fruit and vegetables is here to stay. And if the distributors are to meet these demands, they will have to become increasingly consolidated, international and technically sophisticated.

Mérieux raises Connaught offer to C$37 a share

By **Robert Gibbens** in Montreal and **William Dawkins** in Paris

THE BATTLE for control of Connaught BioSciences, the Canadian vaccines producer, intensified yesterday when Institut Mérieux, the French biotechnology company, lifted its offer to C$37 a share cash, valuing the Toronto-based group at C$942m (US$798m).

The new bid from Mérieux, which is a subsidiary of state-controlled Rhône-Poulenc, is well above the C$30 cash offered two weeks ago by Ciba-Geigy, the Swiss drugs and chemicals group.

Connaught shares were the most active stock on the Toronto Stock Exchange yesterday morning, jumping C$3⅝ to C$37½ by midday. On Thursday Connaught shareholders meet to consider tha Mérieux offer, which is pitched at 31 times Connaught's 1988 earnings.

The Connaught board has accepted the new offer on behalf of all shareholders. It replaces an earlier deal with Mérieux involving a share exchange and a spin-off of Connaught's research operations into a Dutch subsidiary.

Mérieux, whose president, Alain Mérieux, is grandson of the founder, is the world's second largest vaccines maker. It has been stalking the Canadian vaccine and bioresearch group for a year. Success would create the world's largest producer in an increasingly global market.

But a takeover is also attractive for Ciba-Geigy, which launched its C$764m bid jointly with Chiron, a small Californian biotechnology company. Chiron has several collaborative research programmes with the Swiss concern.

Alain Mérieux, president and founder's grandson

Other bidders, including Merck and Du Pont, have been reported as taking an interest in Connaught. However, it is unlikely that a new bidder would emerge at this stage, as the Mérieux bid seems designed to shut out any opposition.

Both Ciba-Geigy's bid and the latest Mérieux offer contain guarantees to maintain Connaught's operations in Canada and expand them. The fate of Connaught has aroused nationalistic feelings in Canada, and this week a University of Toronto court action trying to halt the sale of Connaught is due to be heard.

The university, a long-standing shareholder, argues that Connaught must remain Canadian-controlled under previous agreements.

Hays whets investors' appetites with 30% profit rise

By **Andrew Hill** in London

HAYS, the UK business services group, yesterday heralded its imminent stock-market flotation by unveiling a 30 per cent rise in operating profits – up from £40.4m to £52.7m ($83.3m) in the year to June 30, before interest and exceptional items.

Pre-tax profits increased 16 per cent to £34.4m, against £29.6m in 1987-88. Turnover rose from £512m to £596m.

The Hays issue price will be announced on October 11 and dealings in the shares will begin on October 26. To whet investors' appetites, Hays has produced a "pathfinder" prospectus – a draft document with the crucial figures blobbed out.

Hays, which dates back to the 17th century, owns a range of service companies, from Rentacrate, which hires equipment for office removals, and the parcel carrier Data Express, to Accountancy Personnel, the specialist employment agency.

The flotation is expected to raise between £150m and £200m. Some 10 per cent of the Hays shares will be reserved for preferential applications by the group's 5,000 employees, and certain executives will be granted options over a further 1.5 per cent of the group's capital.

The company lost its original stock-market listing in 1980 when it was taken over by a Kuwait Investment Office subsidiary. Two years ago Hays was the subject of a £254m buy-out from the KIO by the current management.

The October flotation should value the company at between £400m and £450m.

Hays is still burdened with residual debt from the buy-out, and the pathfinder prospectus shows that the group has a negative net worth of £49.7m. The issue proceeds should erase that and substantially reduce interest charges, which increased from £6.9m to £18.3m in the year to June 30.

A property revaluation has already improved the balance sheet, realising a surplus of £37.3m over book value.

In 1988-89, specialist staff recruitment agencies returned operating profits of £19.4m, up from £15.6m, while specialised distribution made £23.7m against £17.9m last time. Office support services increased operating profits from £6.9m to £9.6m.

Mr Lionel Stammers is to join the Hays board as non-executive director, a position he holds at BTR and McKechnie.

Lex, Page 24

INTERNATIONAL COMPANIES AND FINANCE

Alusuisse sees full-year earnings climbing by 40%

By William Dullforce in Geneva

ALUSUISSE, the Swiss aluminium and chemicals group, expects consolidated net earnings before extraordinary items to climb by more than 40 per cent to over SFr450m ($268m) this year.

With the extraordinary account also showing a profit, the parent company is forecasting an earnings increase of around 50 per cent. The board indicated yesterday that shareholders could expect a higher dividend than the 8 per cent (6 per cent plus 2 per cent bonus) disbursed last year, when Alusuisse resumed dividend payments after a three-year lapse.

The Zurich-based group returned to profit in 1987 after suffering losses totalling SFr1.3bn in 1985 and 1986. A management shake-up, a corporate restructuring, a shift in emphasis from the manufacturing of primary aluminium to specialty products of higher added value and a programme of acquisitions brought about the recovery.

Yesterday Alusuisse posted a 23 per cent increase in first-half sales to SFr3.55bn and a 72 per cent surge in cash flow to SFr500m. Due to the relative weakness of the Swiss franc, the currency factor has been important; in local currencies the turnover increase was just under 16 per cent.

Sales in the aluminium division grew by 19.4 per cent to SFr2.38bn while turnover climbed by 30.9 per cent to SFr1.16bn in the chemicals division. All business units, except plastics, contributed to the rise in earnings.

For the year, Alusuisse forecast a 15 per cent increase in group sales to SFr6.9bn and a cash flow of more than SFr850m against last year's SFr658m. The cash flow would *finance large investments and* acquisitions and bring about a further improvement in the group's *self-financing* ratio.

Mr Hermann Haerri, executive vice president, said 1989 was an exceptional year, with economic conditions, aluminium prices and exchange rates combining to effect a favourable result.

A repetition of this year's result was unlikely in 1990. However, the group could experience another good year if economic growth continued, even at reduced rates.

Alusuisse expects to complete by the end of the year the sale of Consolidated Aluminium Corporation, the US unit that manufactures semi-finished products and aluminium foil. Conalco has annual net sales of around $400m and *returned to profit in 1987.*

Bond faces suspension over timing of accounts

By Our Financial Staff

BOND Corporation Holdings faces a suspension of its shares from trading on the Australian Stock Exchange in October because it cannot produce its annual accounts on time.

The company said in a statement that it cannot meet the Australian Stock Exchange (ASX) *September* 30 deadline to lodge its profit and loss statement for the year to June 30, or the October 31 deadline for its annual accounts, and has applied for an extension.

Bond said it made the statement "with a view to maintaining an informed market."

Mr Simon Cato, the listing manager of the Perth Stock Exchange, said Bond would face automatic suspension from trading boards if it failed to supply the information *within 16 working days of it* falling due. Mr Cato said he did not believe the exchange *had ever granted an extension.*

Bond Corporation acknowledged that it was aware there was no provision for extensions to be granted within the ASX listing rules.

Inquiries by the National Companies and Securities Commission (NCSC) and the ASX had diverted management time from preparing the financial statement and accounts for its latest financial year, Bond said. The delay affected Bond Corporation and other publicly listed companies within the group.

Bond did not name the other companies, but its subsidiaries Bond Media and Bell Group also have June 30 balance dates. The NCSC is studying dealings involving Bond Corporation, its 58 per cent-controlled Bell Resources and Bond International Gold.

Bond said the inquiries into what the NCSC says involve suspected "offences" by Bond group officials were doubly inconvenient, since they are heard in Melbourne.

● Harlin Holdings, the private investment arm of Mr John Elliott, the Elders IXL chairman, and his associates, *now holds over 50 per cent of* Elders, under the terms of its $3.00 a share takeover offer *which closes tomorrow, a Har*lin official says.

Lomas files for protection as debt negotiations fail

By Anatole Kaletsky in New York

LOMAS FINANCIAL, the Dallas-based real estate and financial services business which was *until a few years* ago the largest mortgage banker in the US, has filed for Chapter 11 bankruptcy protection after the failure of a three-month effort to renegotiate its crushing debt burden of over $2bn.

Lomas's troubles began in early 1987 as it became apparent that it was being hard hit by the collapse of the Texas property market.

The company's main problems, however, were due not to direct real estate investment, but to the declining number of mortgages it was able to originate through its relative high-cost mortgage banking network.

The rise in interest rates from 1986 onwards had a particularly marked effect on *Lomas business because it spe*cialised in refinancing existing mortgages.

Sunday's bankruptcy filing meant the suspension of payments on $1.3bn of bank debt and senior notes, $185m in senior real *estate debt* and $700m of publicly traded junk bonds. The company's junk bonds were trading yesterday at less than 40 per cent of their face value.

Lomas equity, which peaked at almost $40 a share in early 1987, fell $1 to $2¼ in Wall Street trading yesterday morning.

However, Mr Jess Hay, the company's robust chairman, remained unbowed. "Although the senior creditors will be momentarily disrupted, there really is no question in my mind that we will emerge in a relatively short period of time from Chapter 11 with a plan not only to provide 100 per cent payment for *all creditors* but also with our equity firmly intact," he was quoted as saying.

Lomas declared bankruptcy after two of its bank creditors refused to go along with a restructuring plan involving the senior debt. Among the key elements of the plan was to have been the sale of a profitable commercial leasing unit, Equitable Lomas Leasing. The *company* had hoped to raise about $300m through this transaction and use the money *to* pay down its senior debt.

Several Lomas operating *subsidiaries*, including the company's mortgage banking and commercial leasing subsidiaries, were unaffected by *the* bankruptcy filing. The only operating business to have been put into bankruptcy along with the holding company was Lomas Realty USA, the company said.

TI and IBM in automation pact

By *Louise Kehoe in San Francisco*

TEXAS INSTRUMENTS, the US electronics manufacturer, has joined forces with International Business Machines in an effort to boost sales of automated manufacturing systems to the electronics industry.

The companies have agreed to pursue jointly large-scale automation and manufacturing contracts involving computer-controlled electronics manufacturing plants.

TI will serve as the systems integrator, providing engineering and product design, while IBM will supply computer equipment including industrial, personal and area computers and links to corporate and mainframe systems from the factory floor.

The partnership, which is the first such agreement between TI and IBM, reflects a trend towards alliances between leading computer manufacturers and suppliers of automated production equipment.

Both TI and IBM have invested heavily in computer integrated manufacturing over the past few years, although the CIM market in the US has been slow to develop.

"In general, manufacturers have focused upon automating portions of their operations, rather than full-scale automation," said Mr David Penning, a Dataquest analyst.

Both TI and IBM had become more aggressive in the automation market, he added, and their partnership reflected a determination to jump-start the market for CIM.

Philips Industries to be sold for $750m

By Our Financial Staff

PHILIPS INDUSTRIES, a Dayton-based manufacturer of components for the building and transportation industries, is to be acquired by MLPI Holdings, a new company formed by Merrill Lynch, for $25.50 per share, or a total of about $750m.

The company, said Mr Jesse Philips, Philips chairman, sup*ported the transaction.*

Philips, unconnected with the Netherlands electronics multinational, said the merger was subject to approval by the holders of a majority of its shares and to the arrangement of financing.

It said MLPI has received commitments from Merrill Lynch for up to $250m of subordinated debt and from Merrill Lynch's Merrill Lynch Cap*ital Appreciation Fund II* affiliate for up to $150m of equity.

Philips said that under the merger agreement its board may provide information to other parties in response to unsolicited requests and may participate in merger or asset sale negotiations.

Mr Jesse Philips said the company and his foundation together owned 1.5m of Philips's 28.8m shares. Philips has annual sales of about $700m.

Rockwell pulls out of N-plant contract

By James Buchan in New York

ROCKWELL, the California defence contractor, is pulling out of its contract to run the Rocky Flats nuclear weapons plant for the US Government, alarmed at the threat of criminal prosecution for the way it has handled perilous waste from the plant.

The decision to pull out, which was agreed with the Department of Energy late last week, is unprecedented in the history of the giant US nuclear weapons industry. But the decision frees Rockwell from what it believes is an intolera*ble dilemma over the* running of the plant. Rockwell's fee is thought to have been at best a modest $10m a year.

The plant, which makes plutonium triggers for nuclear bombs at a site near Denver, Colorado, will now be run by EG&G, a Massachusetts-based contractor which already manages three plants in the far-flung nuclear weapons programme. The company said yesterday that it had been indemnified by the Energy Department, which administers the programme, against damage and prosecution.

Rockwell's departure, which marks the first time a contractor has quit a bomb plant in the middle of a contract term, comes after a year of deteriorating relations with the Energy Department over safety and environmental practices at the plant.

But Rockwell's departure became inevitable only last week when the company sued the Energy Department and other government agencies. Rockwell claimed in the suit that it was being placed in an impossible position by an intra-governmental feud.

Rockwell said its problem was that it faced prosecution under laws administered by the *Environmental* Protection Agency unless it stopped producing the radioactive and toxic *waste that was an* insseparable part of the production process.

But if Rockwell shut down the plant, the company said it would be sued by the Energy Department for breaking its contract.

Purchase in US helps Pechiney double profits

PECHINEY, the French state-controlled metals group, has more than doubled first-half net *profit, partly reflecting* the first-time consolidation of American National Can, its US packaging unit, *reports AP-DJ.*

Consolidated net profit after minorities was FFr1.73bn ($273.4m), up from FFr744m a year earlier.

Revenues rose 83 per cent from FFr24.35bn to FFr44.69bn, over FFr14bn of which was attributable to the US purchase.

Operating profit climbed 93 per cent to FFr4.82bn from FFr2.49bn.

Consolidated net profit for the whole of 1988 was FFr2bn *on revenue of* FFr51.31bn.

Asko to sue

Asko, the West German retailer, is to sue Ahold, the Dutch retailer, over the cancellation of co-operation talks between the two, Reuter reports. Ahold broke off the talks on August 23 after Asko bought a 12 per cent stake in Dutch group.

UBS subsidiaries improve sharply

By William Dullforce in Geneva

UNION BANK of Switzerland's subsidiaries in London, New York and Tokyo are still not generating profits, but they are showing a sharply improved earnings trend, Mr Robert Studer, president of the UBS Executive Board, said yesterday.

In London, where earlier this year UBS announced that it had made losses totalling £115m ($184m) on its Phillips and Drew subsidiary since April, 1987, the performance was negative in the first half, but greatly improved.

UBS Securities in New York was close to the break-even point and the Tokyo operation had been slightly in the red as the result of extremely difficult market conditions. The banking subsidiary in Frankfurt was still below break-even.

Nevertheless, Mr Studer said that, based on the first-half figures and the business trend in July and August, UBS could well report record-high results at the end of the year, provided no *major setbacks materialised* on financial markets. Very positive earnings were being generated.

Last year Switzerland's biggest bank posted consolidated net earnings of SFr778m ($463m) and paid shareholders an unchanged dividend of SFr120 per bearer share and SFr24 per registered share.

Mr Ulrich Grete, executive vice-president, said the goal of reaching break-even on the investment banking operation in London by 1990 was capable of being achieved.

● The 72 per cent stake acquired by UBS in June in the newly created holding company for Nissan UK's dealer and financial operations was not intended to be a long-term investment for the bank, Mr Grete said yesterday. UBS had already been approached by potential buyers.

The purchase had been effected by UBS (Luxembourg) because legal complications prevented it being done from London and Swiss Federal *stamp* duty made it impossible to do it from Switzerland.

INTERNATIONAL COMPANIES AND FINANCE

Italian insurer spreads its wings

Alan Friedman explains the ambitions of the state-controlled INA

Professor Antonio Longo does not like people to say that he is mounting a "rescue" for Banca Nazionale del Lavoro (BNL), the scandal-ridden Italian bank which is soon to receive $1.4bn of fresh capital, most of it from INA, the state insurance concern that he chairs.

"BNL doesn't have any liquidity problems. We are just helping them to bolster their capital ratios," says Prof Longo, a 63-year-old actuary from Piedmont.

He is keen to explain his strategy for INA, a state concern that is little known outside Italy in spite of the fact that it had 1988 premium income of more than L3,000bn ($2.14bn).

INA – which stands for the Istituto Nazionale delle Assicurazioni – was founded by royal decree in 1912. The insurance group, which three years ago floated 40 per cent of the shares of its Assitalia subsidiary on the Milan Bourse, is not owned by the Treasury, as is the case with BNL.

INA has no direct juridical shareholder, although it does come under the supervision of the Ministry of Industry in Rome and ISVAP, the Italian insurance watchdog authority. Some 50 per cent of INA's profits go to the Treasury which guarantees the company's policies.

Prof Longo, a sometime lecturer in mathematics and finance who took over the leadership of INA in 1979, is a member of the board at BNL because INA owns a 12 per cent stake of the bank. INA was planning to subscribe a BNL rights issue even bef ore the eruption of the bank's scandal over $3bn of unauthorised Iraqi loan commitments.

INA had previously agreed to put up L400bn, a sum that was to have been matched by INPs, the state pension fund that owned 8.4 per cent of BNL.

This combined L800bn injec tion will now go ahead, boosting INA's shareholding in BNL to 20 per cent, that of INPs to around 15 per cent and at the same time diluting the state's control of BNL from 74.5 per cent to less than 60 per cent.

The second phase of the BNL recapitalisation will see INA supplying the bank with a seven-year L1,200bn subordinated loan at an interest rate that is likely to be higher than 13.20 per cent.

The INA debenture for BNL will be considered as capital for supervisory purposes although it is not convertible into equity.

Together with the L800bn of rights issue money, the subordinated loan will bring a total L2,000bn of fresh capital to BNL, which at present has a capital base of around L4,500bn.

Of BNL Atlanta's $3bn of loan commitments some $1.85bn has already been disbursed, but only $706m is covered by guarantees from the US Commodity Credit Corporation (CCC).

But what of INA? What does Prof Longo get in return for committing $1.1bn of BNL's $1.4bn recapitalisation?

"In the first place," Prof Longo explained, "we get a good deal because the interest paid on the subordinated loan is much higher than what we could earn otherwise. But our BNL stake is also a strategic investment and our goal is to integrate our insurance products with BNL's distribution network while we at INA might eventually sell other financial services products supplied by the bank."

INA's goal is to integrate its insurance products with BNL's distribution network. INA might eventually sell other financial services products supplied by the bank.

INA is not poor. The state insurer had a 1988 operating cash flow of L2,800bn and enjoyed combined premiums from Life (INA) and Accident (Assitalia) of L3,025bn. Prof Longo points out that his organisation has 200 agents and 2,800 sub-agents up and down the Italian peninsula while BNL has 400. "Together we have an excellent distribution network," Prof Longo says.

The INA chief says the Iraqi scandal demonstrates clearly the painful inadequacy of the bank's internal controls. He adds that central management of BNL is in urgent need of a reorganisation. This matter will be the responsibility of Mr Giampiero Cantoni, the incoming chairman, and Mr Paolo Savona, the new director general.

INA is undoubtedly a wealthy and well managed insurance group with 3,300 employees, net capital of L1,269bn, technical reserves of nearly L8,800bn and even a couple of insurance stakes abroad such as 12.5 per cent of West Germany's Nuernberger Leben and 70 per cent of France's Camat.

The manoeuvres over BNL's future ownership are, however, by no means finished, and at least some of Prof Longo's aspirations could be affected by decisions that have not yet been taken or announced. For the time being, therefore, INA is a generous, willing and able supplier of fresh capital for BNL. As for the rest of the scenario, that remains very much to be seen.

Coors in $425m deal with Stroh

By Roderick Oram
in New York

ADOLPH COORS Company of Colorado is to buy most of the brewing assets of Stroh Brewery in an effort to secure its position as a national force in a beer market dominated by Anheuser-Busch and Philip Morris.

Coors and Stroh, both family-owned breweries, have been courting each other for months since the Detroit-based company decided to quit the beer business rather than try to reverse its declining fortunes.

Other brewers interested in buying Stroh included Heileman, the struggling fifth-placed producer owned by Mr Alan Bond of Australia.

Coors will buy all Stroh's brands, such as Schlitz and Old Milwaukee and five of its seven breweries for $425m in cash and the assumption of some Stroh's debt. Stroh will retain its shareholding in Cruz del Campo, the largest brewer in Spain, and non-beer businesses.

Stroh's US market share plunged 10 per cent in the first half of this year to third place at 10.9 per cent, according to Beer Marketer's Insight, the leading industry newsletter. Coors' share slipped 1 per cent to fourth place at 8.8 per cent.

Coors will also be tackling a different brewing technology at the Stroh's plants than its non-pasteurised process which has brought it national fame. It has kept a tight hold on its quality by producing beer only in Golden, a town in the front range of the Rockies west of Denver. It is the largest single brewery company in the world.

"The acquisition of these brands and facilities will make us a strong competitive number three," said Mr Rob Klugman, Coors vice president of development.

Mr Peter Stroh, whose great-grandfather established the brewery in Detroit in 1850, said Coors was the most appropriate brewer to continue the Stroh legacy.

Trelleborg buys mining company in US for $60m

By Robert Taylor
in Stockholm

TRELLEBORG, the Swedish industrial conglomerate, has bought through its international mining company Boliden a mining business in Maine for $60m from Chevron Resources.

This is only a week after Trelleborg acquired 50 per cent of the ownership of Falconbridge, the world's second largest nickel producer. The company, Bald Mountain, is involved in open-cast mining in copper, zinc and precious metals.

A special company, Boliden Resources, has been established to run the new concern with its head office in Portland, Maine.

"This is a further step we have taken to achieve a better balance between production costs in different products as well as to protect ourselves from the great uncertainties over future energy sources and costs which Swedish basic industries are being forced to live with," said Mr Kjell Nilsson, a Trelleborg executive with special responsibility for mining and metals.

Jordan reels from another banking blow

Andrew Gowers on the consequences for Amman of financial irregularities at Petra Bank and Jordan Gulf Bank

As if they did not already have enough economic problems to contend with, the Jordanian authorities have recently been struggling to defuse a home-grown financial crisis which has dealt yet another blow to fragile confidence in the country's banking system.

In Amman and in Washington, officials of Jordan's Central Bank are picking over the affairs of Petra Bank, the kingdom's third-largest bank, and a smaller institution, Jordan Gulf Bank, both of which are now under government control following the discovery of financial irregularities. Mr Ahmad Chalabi, Petra's chairman, has left the country amid threats of legal action and its chief currency dealer is in jail.

The Government, which plans to merge the two banks, is worried about how much it will end up having to fork out – whether in local currency or precious foreign exchange – to support them. And foreign bankers are left wondering whether they are in for any more shocks from Jordan's notoriously overcrowded banking market.

The saga began on August 3, when the Government's Economic Security Committee used martial law regulations to announce it was taking over the two banks and merging them to "meet the requirements of international banking transactions." A new management committee, chaired by Mr Walid Asfour, a former trade and industry minister, was appointed to replace the bank boards and Petra executives were barred from leaving the country.

While the rest of Amman's financial community was not completely surprised to discover that Petra Bank had problems, it was stunned by the Government's move, for which no detailed explanation was given. Immediately after the announcement, there was a run on both Petra and Jordan Gulf and interbank lines were severed, prompting the Central Bank to pump in an estimated JD100m ($164m) to keep the two institutions liquid.

Mr Ali Sarraf, Petra's chief dealer, was arrested trying to board a flight for London, apparently carrying bank documents. Mr Chalabi left the country last month – on holiday, as he later claimed, while protesting his innocence. "No one told me I was banned from leaving," he explained to international news agencies.

The Economic Security Committee, insisting that Mr Chalabi had left the country by "illegitimate means," added: "We put Chalabi on the supervisory committee to give him a chance to co-operate with the new management and disclose the bank's troubles, but he chose to run away from his duties and leave the country illegally."

The style of the chairman's exit was astonishing to ordinary Jordanians. In the 12 years since he founded the bank, Mr Chalabi, scion of a wealthy Iraqi Shia family, had developed a reputation not only for his commercial ambitions but also for his high-level political contacts.

Petra's expansion was aggressive: during Jordan's ill-fated economic boom in the early to mid-1980s, it lent widely to the private sector at uncomfortably competitive spreads, notably in connection with trade to Iraq, and launched a pioneering credit card operation. By 1987 – the last year for which a balance sheet has been published – its assets of JD291m ranked it third in the country, behind Arab Bank and the specialist Housing Bank.

The Chalabi family maintained a stake in two other banks – Jordan Gulf and Cairo-Amman – as well as in an investment company and many other businesses in Jordan. Abroad, they set up banks in Lebanon and Switzerland under the name of Mepco and a subsidiary, Petra International, in Washington.

Many bankers had harboured suspicions about Petra since a minor run on the bank two years ago. In particular, they worried about the solidity of its loan portfolio, some 30 per cent of which was invested in companies where it had a stake of 10 per cent or more, and its currency trading activities, in which it worked closely with an informal network of money changers now virtually closed down by the Government. Senior officials at the central bank were also undoubtedly aware that something was wrong.

One local banker says he repeatedly discussed the issue with the central bank in the first few months of this year and that twice warned Mr Zaid Rifai, the former Prime Minister, that Jordanian banking regulations were being violated. A member of the new management committee adds: "Petra Bank survived for four years on the fringes of the law and through its loopholes. It committed many unorthodox banking transactions."

What seems to have brought the problems to a head is the foreign exchange crisis Jordan has suffered during the last year.

When the free-market value of the dinar plunged last autumn, it was common knowledge in Amman that Petra Bank was among the most active purchasers of dollars. Yet when the central bank – now under firm new management – sought to enforce a requirement on banks to deposit 35 per cent of their foreign exchange holdings with it as part of its efforts to prop up the currency, Petra was unable to comply. One of the authorities' aims in taking over the two banks was probably to assert their control over the currency.

However, examination of the books appears to have revealed a much more complex mess, stretching from Amman to Washington. The management committee, which has engaged accountants Arthur Andersen for the task, is not prepared to give details until efforts to verify the bank's assets and liabilities are complete. However, two central preoccupations have emerged:

- The need for provisions against likely loan losses in Jordan. It remains unclear whether the central bank, which has promised to honour the "legitimate commitments of the two banks," will be forced to inject capital and, if so, how much.
- The international network, and in particular the Washington subsidiary, in which Mr Chalabi's brother Talal has a 30 per cent stake. A senior central bank official is in Washington examining Petra International, which is reported to have been a principal outlet for the Amman parent's foreign currency holdings. Depending on the use to which that money was put, the central bank may find itself also faced with liabilities in foreign exchange, at a time when it can ill afford to spare any.

No one in Amman doubts that decisive action was needed to save Petra Bank from itself. As one foreign banker put it: "If Petra Bank had gone down, it would have added one hell of an economic shock on top of the foreign exchange disaster."

However, the almost universal question is why nothing was done to rein Petra in before – a question that many observers answer by pointing to Mr Chalabi's friends in high places, including within the central bank.

It is already abundantly clear that these friends did not include Dr Mohammad Said Nabulsi, the widely respected new central bank governor. Since being reappointed to the post in May, he has asserted his institution's independence and taken a firm grip on exchange rate policy. The Petra Bank issue may prove to be an equally important credibility test.

However, independent banking analysts believe that in acting swiftly last month, the central bank has contained the problem. "The banking system itself seems to be in reasonable shape," says Mr Ramin Habibi, chief economist at Capital Intelligence, the Cyprus-based bank rating agency. Jordanian banks generally "are pretty liquid and conservative – even dull."

Ultimately, assuming the immediate financial difficulties can be overcome, the effects could even turn out to be salutary. Dr Nabulsi wants to strengthen the Jordanian financial sector by encouraging some of the 13 local banks to merge. The Petra debacle might be just the sort of jolt the system needed.

Jardine Matheson profits rise to HK$634m halfway

By Michael Murray in Hong Kong

JARDINE MATHESON Holdings, the Hong Kong-based conglomerate at the centre of the Keswick family's business empire, has reported profits after tax and minorities of HK$634m (US$81.6m) for the six months to June. It experienced strong performances throughout its wide range of businesses, from property and retailing to financial services and trading.

Extraordinary items arising from the first-half sale of the Asian 7-Eleven convenience store businesses to Dairy Farm amounted to HK$260m, boosting attributable profits to HK$894m, while turnover rose by 14.7 per cent to HK$6.937bn.

Mr Henry Keswick, Jardine Matheson chairman, said in a statement that the significant increase in profits was unlikely to be repeated in the second half, due partly to the slowdown in tourism and consumer spending in the territory following the recent unrest in China. However, he said the broad range and geographical spread of the group's businesses meant the full-year outlook was still encouraging.

Within the group motor sales were buoyant, with distributors Zung Fu, who have the lucrative Mercedes franchise in Hong Kong, registering a 121 per cent increase in profits. In the engineering and construction sector Gammon's performance was encouraging, despite continuing difficult market conditions in Hong Kong.

Mr Keswick said that Jardine Insurance Brokers performed well to increase its earnings in a market continuing to suffer from oversupply and Jardine Fleming again achieved good results in all its operations.

Three separately listed operating companies within the Jardine Matheson Group, retailer Dairy Farm, property company Hongkong Land and hotel owner and operator Mandarin Oriental, all recently reported healthy increases in their own first-half earnings, up by 26 per cent, 43 per cent and 31 per cent respectively over the same period in 1988.

Jardine Matheson has declared an interim dividend of 21 cents per share, up from 17 cents at the halfway stage last year.

Secom unit to buy HMSS

By Our Financial Staff

SECOMERICA, a unit of Secom, the Tokyo-based company which specialises in security-related services and last year began providing emergency medical services in the US, is to acquire the Houston-based HMSS for $50 a share, or about $250m.

HMSS specialises in in-home administration of intravenous medications, nutrients and fluids, which Secomerica described as "the fastest-growing segment" of the US healthcare services industry.

Secom is expected to finance the transaction in cash, with probably "some borrowings." It is thought Secomerica will begin a tender offer this week for outstanding HMSS shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 25, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.7034	32.3817	43.2461
Albania	(Lek)	10.2917	6.3983	3.3578	4.4844
Algeria	(Dinar)	13.2061	8.2101	4.3086	5.7542
Andorra	(Fr Fr)	10.3775	6.4516	3.3858	4.5217
	(Sp Peseta)	191.25	118.8995	62.3980	83.3333
Angola	(Kwanza)	47.5340	29.5517	15.5086	20.7119
Antigua	(E Carr $)	4.3484	2.7033	1.4187	1.8947
Argentina	(Austral)	1050.95	653.3727	342.8874	457.9302
Aruba	(Florin)	2.8828	1.7922	0.9405	1.2561
Australia	(Aus $)	2.0417	1.2693	0.6661	0.8896
Austria	(Schilling)	21.565	13.4069	7.0358	9.3965
Azores	(Port Escudo)	257.70	160.2113	84.0783	112.2875
[illegible]					
Falkland Is	(Falk £)	1.00	0.6216	0.3262	0.4357
Faroe Is	(Danish Kroner)	11.9275	7.4152	3.8915	5.1971
Fiji Is	(Fiji $)	2.4253	1.5078	0.7912	1.0567
Finland	(Markka)	6.9505	4.3211	2.2676	3.0285
France	(Fr)	10.3775	6.4516	3.3858	4.5217
Fr. Cty/Africa	(CFA Fr)	518.88	322.5862	169.2920	226.0915
Fr. Guiana	(Local Fr)	10.3775	6.4516	3.3858	4.5217
Fr. Pacific Is	(CFP Fr)	187.00	116.2573	61.0114	81.4814
Gabon	(CFA Fr)	518.88	322.5862	169.2920	226.0915
Gambia	(Dalasi)	12.4846	7.7616	4.0732	5.4399
Germany East	(Ostmark)	3.0650	1.9055	1	1.3355
Germany West	(D Mark)	3.0650	1.9055	1	1.3355
Ghana	(Cedi)	420.00	261.1128	137.0309	183.0065
Gibraltar	(Gib £)	1.00	0.6216	0.3262	0.4357
Greece	(Drachma)	266.98	165.9807	87.1060	116.3311

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	11.9275	7.4152	3.8915	5.1971
Grenada	(E Carr $)	4.3484	2.7033	1.4187	1.8947
Guadaloupe	(Local Fr)	10.3775	6.4516	3.3858	4.5217
Guam	(US $)	1.6085	1	0.5247	0.7008
Guatemala	(Quetzal)	4.5714	2.8420	1.4914	1.9918
Guinea	(Fr)	483.15	300.3730	157.6345	210.5228
Guinea-Bissau	(Peso)	1046.83	650.8113	341.5432	456.1350
Guyana	(Guyanese $)	48.29	30.0217	15.7553	21.0413
Haiti	(Goude)	8.0525	5.0062	2.6272	3.5087
Honduras	(Lempira)	3.2250	2.0049	1.0522	1.4052
[illegible]					
N'nd Antilles	(A/Guilder)	2.8989	1.8022	0.9458	1.2631
New Zealand	(NZ $)	2.6975	1.6770	0.8800	1.1753
Nicaragua	(Cordoba)	34346.25	21352.9686	11205.9543	14965.6862
Niger Rep	(CFA Fr)	518.88	322.5862	169.2920	226.0915
Nigeria	(Naira)	11.7567	7.3091	3.8357	5.1227
Norway	(Nor. Krone)	11.2225	6.9769	3.6615	4.8899
Oman	(Rial Omani)	0.6196	0.3852	0.2021	0.2699
Pakistan	(Pak. Rupee)	34.30	21.3242	11.1908	14.9455
Panama	(Balboa)	1.6085	1	0.5247	0.7008
Papua New Guinea	(Kina)	1.3870	0.8622	0.4525	0.6043
Paraguay	(Guarani)	2014.00	1252.0982	657.0962	877.5699

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	8122.15	5049.5181	2649.9673	3539.0631
Philippines	(Peso)	34.30	21.3242	11.1908	14.9455
Pitcairn Is	(£ Sterling)	1.00	0.6216	0.3262	0.4357
	(NZ $)	2.6975	1.6770	0.8800	1.1753
Poland	(Zloty)	2257.67	1403.5871	736.5970	983.7342
Portugal	(Escudo)	257.70	160.2113	84.0783	112.2875
Puerto Rico	(US $)	1.6085	1	0.5247	0.7008
Qatar	(Riyal)	5.8620	3.6443	1.9125	2.5542
Reunion Is. de la	(F/Fr)	10.3775	6.4516	3.3858	4.5217
[illegible]					
Virgin Is-US	(US $)	1.6085	1	0.5247	0.7008
Western Samoa	(Tala)	3.73	2.3189	1.2169	1.6252
Yemen	(Rial)	15.21	9.4560	4.9624	6.6274
Yemen PDR	(Dinar)	0.5524	0.3434	0.1802	0.2406
Yugoslavia	(Dinar)	52774.0	32809.4497	17218.2707	22995.2069
Zaire Rep	(Zaire)	605.69	376.5557	197.6150	263.9172
Zambia	(Kwacha)	26.40	16.4128	8.6133	11.5032
Zimbabwe	($)	3.6025	2.2396	1.1753	1.5697

Special Drawing Rights September 22, 1989 United Kingdom £1.26488 United States $1.24937 Germany West D Mark 2.42865 Japan Yen181.971 European Currency Unit Rates September 25, 1989 United Kingdom £1.47882 United States $1.08904 Germany West D Mark 2.07158 Japan Yen156.298

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, September 25, 1989

INTERNATIONAL CAPITAL MARKETS

Volatile dollar casts cloud over investors and issuers

By Andrew Freeman

ACTIVITY DROPPED to low levels on the Eurobond markets yesterday, with many syndicate departments depleted by the demands of the International Monetary Fund meeting in Washington. There were several new issues, but, in general, both investors and issuers were taking stock after the choppy recent performance from the US dollar.

Swiss Bank Corporation tapped a becalmed Ecu sector with an Ecu150m debut international bond issue for ABB Asea Brown Boveri Capital, the financing arm of the Swiss/Swedish engineering group. The five-year bonds, which carry a keepwell agreement from the parent company, were priced at 101⅝ with an 8¾ per cent coupon to yield 8.81 per cent.

Demand for the paper was steady rather than spectacular, with interest reported by syndicate members from Scandinavian investors and from Switzerland. The lead manager was quoting the bonds at less 1.82 bid, a discount inside full underwriting fees of 1⅞ per cent.

Syndication was along traditional lines, although there was a very small group of underwriters and the lead manager charged only a five cent *praecipuum*, the fee paid to the lead members of the syndicate for their extra work in launching the deal. There was competitive bidding for the mandate.

An ABB official confirmed that the proceeds were swapped into floating-rate US dollars to achieve an attractive sub-Libor funding rate. The borrower has not previously visited the Euromarket, but is recognised by European investors as a blue-chip name. The official said the company was planning regular fund-raising visits to the market as part of its general capital markets strategy.

INTERNATIONAL BONDS

Svenska International was the lead manager of a SKr300m three-year deal for Aga, the Swedish industrial group. The bonds offered an 11⅛ per cent coupon and were trading at less 1⅛ bid, a discount equivalent to full underwriting fees. Proceeds were unswapped.

An A$50m three-year deal for Toronto Dominion Australia, guaranteed by the parent bank, was launched by Hambros Bank. The issue, with its 16¼ per cent coupon, is aimed almost exclusively at retail investors and is expected to attract enough demand to see the bonds successfully placed. Proceeds were swapped, probably into floating-rate US dollars, although Hambros declined to elaborate.

Nikko's $100m equity warrants deal for Joban Kosan was trading at 101⅜ bid, while Nomura's $150m deal for Kokusai Securities, the brokerage house, was quoted at 100⅞ bid, both above their par issue prices.

In Germany, a DM100m equity warrants deal for Mory Industries was launched by Nomura to a fine reception. The bonds traded at 108⅜ bid, well above their par issue price.

● Moody's Investors Service may upgrade Uniroyal Goodrich Tire's B-2 rated senior subordinated notes, and its B-3 rated subordinated debentures. About $415m of long-term debt would be affected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Takasago Thermal Eng.♦	80	(4⅝)	100	1993	1½/¾	Yamaichi Int.(Europe)
Joban Kosan Company♦	100	(4½)	100	1993	1½/¾	Nikko Secs.
Kokusai Secs.Co.♦	150	(4½)	100	1993	1½/¾	Nomura Int.
CBO II NV‡(a)	85	(a)	100	2000	n/a	Morgan Stanley Int.
Den Danske Bk(Copenhagen)◆	30	10	101⅛	1991	⅝/½	Bankers Trust
AUSTRALIAN DOLLARS						
Toronto Dominion Australia◆	50	16¼	102	1992	1/½	Hambros Bank
D-MARKS						
Mory Industries Inc.♦◆	100	1¼	100	1993	2¼	Nomura Europe GMBH
ECUs						
Asea Brown Bovel Cap.B V◆	150	8¾	101⅝	1994	1¼/⅝	Swiss bank Corporation
SWEDISH KRONA						
Arga◆	300	11⅛	101.45	1992	⅞/½	Svenska Int.
YEN						
Skopbank◆	2bn	7	101⅜	1992	⅞/½	Bankers Trust Int.
Credit Com. de France◆(b)	1.75bn	6.3	101⅝	1993	1⅝	Morgan Stanley Int.

◆Final terms. ♦With equity warrants. ‡Floating rate note. a)20bp over 6-month libor. b)Redemption currency linked.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 25

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	102¼	102¾	-0¼	-1	8.82
Austria 9¼ 93	140	101¾	102¼	-0⅛	-0¾	8.98
B.F.C.E. 8¾ 94	175	98	98½	-0¼	-0¾	8.86
B.F.C.E. 9¾ 95	150	101¾	101⅞	-0⅛	-1	8.88
[illegible]						
Fins. Exp. Cd. 8¾ 92	75	†100⅛	100⅜	—	—	8.00
Fletcher Chall. 4⅞ 98	150	†80	80⅛	+1¾	+3¼	8.19
I.A.D.B. 6 2004	200	†98½	98¾	—	—	6.16
Kobe City 4⅞ 98	150	†90	90½	0	-0⅛	6.09
Leeds Perm. B/S. 4⅞ 93	200	†91	92	0	0	6.89
Malaysia 5¼ 98	100	†86	86½	-3¼	-6¼	7.45
Maxwell Comm.Crp. 5 95	150	†86	86¼	+0⅛	+3¼	8.12
Nat. Bk. Hungary 5½ 94	75	†90¾	91¼	-0⅛	-0⅛	7.58
Nationwide Ang.B/S. 4 93	200	†91	91½	-0¼	-0⅛	6.77
Prov. Newfoundland 5 03	150	†87	87¼	-1⅞	-1⅞	6.40
Thailand 4⅝ 95	200	†82¼	83	-1	-5	8.48
World Bank 5 03	150	†88	89	-0⅛	+0⅛	6.26

Average price change... On day -0¼ on week -0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6½ 91	80	100¾	101	0	+0⅛	5.43
Canada 5⅝ 93	80	100¾	101	+0⅛	+0⅛	5.36
Eurofima 5 1995	20	97⅛	98	+0⅛	+0⅛	5.45
E.I.B. 4⅞ 93	30	98⅛	98⅝	+0⅛	+0⅝	5.44
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Primerica 5½ 02 US	4/87	66.75	72⅞	73⅞	0	76.89
Eng.China Clay 6½ 03 £	9/88	4.8	103⅛	104⅛	+0⅞	4.84
Fujitsu 3 99 US	5/84	1106.	222	223¾	-0½	-2.93
Ladbroke Grp. 5⅛ 04 £	6/89	7.1	107⅞	108⅞	0	123.95
Land Secs. 6⅞ 02 £	6/87	6.72	96⅞	97⅞	-0⅛	14.45
Minolta Camera 2⅞ 94 DM	2/86	1004.	109⅞	111⅞	-0⅛	7.96
MCA INC 5⅞ 02 US	9/87	69.42	101	102	-0⅛	14.44
Mitsubishi Bk. 3⅞ 04 US	5/89	3266.	93⅞	94⅞	+1⅛	3.63
Next Plc 5⅞ 03 £	11/87	4.3	100⅞	101⅞	-0⅛	243.24
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	127	128	+1	1.50
Omnicom Inc. 6 1/2% 04 US	10/89	28.	102⅞	103⅞	0	18.15
Osaka Tokei 2⅞ 02 US	4/87	1310.	268½	269½	-4½	-1.98
Ranks Hovis 4⅞ 03 £	†1/88	3.5	129	130	-0½	-2.94
Redland 7⅞ 02 £	1/87	5.4	107	108	+0⅛	1.84
Saatchi&Saatchi 6⅞ 03 £	†10/89	4.41	93⅞	94⅞	+0⅛	33.66

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

Matuschka sells shares to fund expensive lifestyle

Haig Simonian on why a West German finance house has taken on board six influential shareholders

The sale of a 25 per cent shareholding in the Matuschka Group to six prestigious international institutions both confirms the company's status as West Germany's leading independent financial house and provides the basis for sustained growth over the forseeable future.

Matuschka's list of new shareholders is impressive. Nomura, the largest of Japan's mammoth securities houses, has been joined by General Electric Capital of the US, the French Suez group, Charterhouse, the UK merchant bank, Akros, the Italian investment house, and Willowbridge Investments, a UK investment company.

Neither details of the size of holdings nor their price have been revealed. But the biggest groups will buy 5 per cent each, while smaller participants will have stakes of 2-3 per cent. Japanese analysts have estimated that Nomura would pay around Y1bn ($6.8m) for its 5 per cent. On that basis, the entire deal will raise around $35m.

The figure could have been higher had Matuschka sold a single 25 per cent shareholding. But obtaining the maximum price was not the motive, according to Mr Rolf Christoph Dienst, Matuschka's chief executive.

More important, splitting the outside shareholding reduces the chances of the company, which now has some 390 employees and offices in 17 locations, coming too closely under the control of one big shareholder. Independence has been one of the group's watchwords since its creation in 1970 by Count Albrecht Matuschka, its 45-year-old chairman, and three other partners.

Why should a group, which has hitherto made much of its iconoclastic function in German finance, suddenly seek outside shareholders? The answer has probably more to do with the simple need for additional capital than all the public-relations rhetoric about forging "a global network of strategic alliances."

Matuschka has grown rapidly both geographically and in terms of its products. While fund management, often for wealthy private clients, still forms its core business, it has broadened into mergers and acquisitions, corporate finance, venture capital and buy-outs. Even real estate has been added to the list. And recently, it was revealed that the company had applied to set up a life insurance operation.

On the surface, the company's success comes despite – or because of – the drive of Count Matuschka. An incessant talker who interrupts constantly while barking out orders, he can make a frustrating boss, whose single-mindedness can stretch the patience of many colleagues.

Day to day control lies more with Mr Dienst, under whom the group has consolidated its reputation for deal-making beyond the shadow of Germany's big universal banks. But Count Matuschka himself can wield a powerful spell over private clients, while his efforts at stirring Germany's still sometimes very complacent banking world should not be underestimated.

Yet meeting the growing list of challenges he would like to tackle is proving increasingly expensive – helping to explain the decision to overturn previous policy and bring in outside shareholders. Although Matuschka does not tie up its own capital by making markets, preferring to work on a fee-earning basis, its expansion has been costly.

Count Albrecht Matuschka: single-minded chairman

Details of its financial performance are not revealed, so judgments by outsiders about profitability or expenses are conjecture. Moreover, information about the performance or size of its funds under management is also met with silence. While many of its staff are believed to be on relatively low-base salaries, topped up by large, profit-related bonuses, costs have steadily increased.

Expansion so far has largely been met by internally-generated funds. But financial requirements will rocket if the company pushes ahead with some new ideas. Building up Matuschka Private Finance, a financial services network for high-income earners requiring up to 400 salesmen, could involve an investment of up to DM100m ($51.3m), according to Mr Dienst.

Such rapid growth was clearly outside the group's previous resources. Even now, Matuschka is in negotiations which eventually may see up to 49 per cent of its shares held by outside partners, Mr Dienst says.

Many of Matuschka's existing subsidiaries could become sources of capital should the company sell stakes in them. Nomura already has 25 per cent of Main Anlage Trust, the group's Frankfurt-based fund management operation.

Count Matuschka himself concedes that the group appears disorganised as new ventures have been steadily added on. Thus one useful side-effect of the new shareholdings will be to tidy up the group structure. A new company, Matuschka Group Limited Partnership, is being set up in Bermuda, which will acquire proportionate stakes in all the other subsidiaries.

Meanwhile, the number of partners owning the 75 per cent not being taken by the new outside shareholders is going up to 33 from 24, although Count Matuschka and his three co-founders will continue to hold the lion's share of the equity. Much of the cash being pumped in by the new shareholders will be taken out by the founding partners, while part will be used to buy out some other older partners to make room for newcomers.

One of the aims of the new structure is to make more room for young blood. All the existing shareholders, including the institutions, have agreed on the dilution required to make room, and the group could well have 40 partners by the end of next year.

Among new ventures likely after the capital infusion are big projects with Nomura, possibly including a scheme to manage Japanese offshore funds out of Luxembourg, and a potential link with General Electric on acquisitions in German-speaking Europe.

But the relationships with the new shareholders should not constrain the group's ability to strike one-off deals with non-shareholding companies, according to Count Matuschka.

Tokio plans to buy 10% stake in Delaware

By Stefan Wagstyl in Tokyo

TOKIO FIRE & MARINE, Japan's largest casualty insurer, yesterday announced plans to buy a 10 per cent stake in Delaware Management, the fifth largest US independent investment advisory company.

The deal is the fourth this year between a Japanese financial institution and a US investment advisory group, highlighting Japanese companies' willingness to buy specialist skills which they have not yet developed for themselves in Tokyo.

Tokio is to pay $42m for the stake in Delaware which has $24bn in assets under management. The Japanese group, which has assets of Y7,675bn ($52.9bn), said it wanted access to Delaware's knowledge of the US market.

Tokio is interested in expanding the proportion of its portfolio invested overseas from the current level of less than 10 per cent.

Mr Kenji Ito, a manager in the financial planning department, said: "We want to increase our overseas investments and to manage them more efficiently. Delaware can help us." Tokio will send staff for training at Delaware.

Delaware, which was founded in 1938, is privately-owned. It has a reputation for active management – which means its managers are trained to select and trade stock actively, not to rely on computers to manage funds for them by tracking indices, for example.

Earlier this year, Nikko Securities, Japan's third largest stockbroking house, paid $125m for a 50 per cent stake in Wells Fargo Investment Advisors, a subsidiary of Wells Fargo Bank. Also, Long-Term Credit Bank established a joint venture with Miller, Anderson and Sherrerd, and Meiji Life bought an undisclosed stake in Alliance Capital Management, a subsidiary of Equitable Life Insurance Company, one of the biggest US insurers.

● Nippon Credit Bank, the long-term credit bank, plans to pay $68m for a 45 per cent stake in a South Korean leasing subsidiary of Manufacturers Hanover, the debt-encumbered US bank. The Japanese bank said the acquisition would strengthen business with South Korean companies.

Manufacturers Hanover recently announced the sale of a stake in CIT Group, its US financing arm, to Dai-Ichi Kangyo Bank. Dai-Ichi Kangyo also took a 5 per cent interest in Manufacturers Hanover itself. The total package cost the Japanese bank $1.4bn.

Canadian bank to form new subsidiary

By David Owen in Toronto

CANADIAN Imperial Bank of Commerce, the country's second largest bank, is to merge its domestic investment management operation with those of Wood Gundy, its majority-owned securities trading unit, to form a new subsidiary, CIBC Investment Management.

The new arm will initially manage over C$1bn (US$850m) in assets. This will swell to more than C$2bn if international investment management operations are taken into account. The bank intends to offer equity participation to senior officers in the new unit.

Canadian Imperial is Canada's third largest commercial bank. Last published annual profits totalled C$591m and the group had total assets of C$94.7bn.

US Treasuries dip as investors react to falling dollar

By Karen Zagor in New York and Rachel Johnson in London

US TREASURIES moved lower across the board yesterday on the heels of a plunging dollar.

The debt market was also shaken by stronger-than-expected car sales in mid-September and the possibility that OPEC might raise its oil output ceiling.

GOVERNMENT BONDS

In late trading, the Treasury's benchmark 30-year bond was quoted 1$\frac{1}{32}$ point lower at 98$\frac{5}{32}$, yielding 8.29 per cent. At the short end of the yield curve, the two-year Treasury bond was down $\frac{1}{32}$ point, yielding 8.41 per cent.

The Federal Reserve arranged four-day system repurchase agreements when Fed funds were at 9$\frac{1}{16}$ per cent. They closed at 9 per cent.

The debt market moved lower on the back of a weak dollar, which slipped sharply after the Group of Seven industrial nations said they wanted to see a lower dollar, and following a round of intervention by foreign central banks.

In late trading, the dollar was changing hands at Y142.1 and DM1.8995, well below Friday's Y146.05 and DM1.9530.

The market is now looking to today's release of August durable goods orders, which are expected to rise by 0.5 per cent to 1 per cent.

■ THE DOLLAR'S volatility gave dealers an excuse to remain on the sidelines yesterday, waiting for clearer trends to emerge both on Wall Street and on the foreign exchanges.

The German government bond market opened stronger on the expectation that bond prices would shadow the D-mark. But that did not happen: prices drifted down during the day, to close virtually unchanged from Friday's fixings. "The main focus is the dollar, save for some expected inflation data," one dealer said.

■ THE TOKYO government bond market was "strong on the back of a thrusting yen," one dealer said. The market was impelled upwards by the weekend statement from the Group of Seven ministers that the dollar's rise was inconsistent with economic fundamentals.

The benchmark No.111 closed to yield 5.145 per cent, down from 5.175 per cent on Friday, amid some heavy trading in both cash and futures markets.

■ DESPITE the excitement surrounding the dollar's activities, the UK government bond market remained torpid. "There was not much retail interest, nor from market makers," said an analyst. Dealers stayed undecided ahead of today's August trade figures, which were "overhanging everything." The cash and futures markets both finished up ⅛ on the day's trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	6/92	105-25	-2/32	11.17	11.15	10.72
		9.750	1/98	96-18	+5/32	10.37	10.34	10.04
		9.000	10/08	96-06	+6/32	9.44	9.41	9.22
US TREASURY *		8.000	8/99	97-27	-23/32	8.32	8.09	8.22
		8.125	8/19	98-08	-32/32	8.29	8.08	8.18
JAPAN	No 111	4.600	6/98	96.5888	+0.665	5.17	5.38	5.07
	No 2	5.700	3/07	105.9384	+0.586	5.06	5.18	4.99
GERMANY		6.750	6/98	96.8500	-0.150	6.31	6.93	6.75
FRANCE	BTAN	8.000	7/94	96.3650	-0.165	8.94	8.94	8.80
	OAT	8.125	5/99	96.4700	-0.420	8.66	8.58	8.40
CANADA *		9.500	10/98	98.2000	-1.000	9.51	9.54	9.44
NETHERLANDS		7.250	7/99	100.2750	+0.115	7.21	7.28	7.12
AUSTRALIA		12.000	7/99	92.0282	+0.001	13.48	13.32	13.11

London closing, *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Bundesbank in Iosco row

By Haig Simonian in Frankfurt

THE WEST German Bundesbank and Ministry of Finance yesterday added to the debate over capital requirements for European securities firms by sharply criticising the report prepared for last week's meeting of the International Organisation of Securities Commissions (Iosco) in Venice.

The Bundesbank said Mr Karl Thomas and Mr Georg Wittich, senior figures in the central bank and finance ministry respectively, had made clear to Mr Jeffrey Knight, chief executive of the International Stock Exchange in London, that the conclusions of the report prepared by Iosco's executive committee were unacceptable for West Germany.

The West German experts said the findings leaned too heavily towards the British distinction between banks and brokers, to the disadvantage of German-style universal banks.

The criticisms re-open an argument, apparently patched up in Venice, when the Federation of German Stock Exchanges strongly opposed the findings, which it argued should be redrawn.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sep 25 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Sep 22 Index No.	Thu Sep 21 Index No.	Wed Sep 20 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	986.14	-0.1	11.13	4.23	11.00	24.39	987.58	989.76	983.72	774.17
2	Building Materials (29)	1192.03	-0.4	12.74	4.57	9.82	29.34	1196.43	1194.58	1189.67	963.66
3	Contracting, Construction (37)	1594.98	-0.1	15.29	4.73	8.57	41.25	1596.59	1600.13	1594.45	1534.51
4	Electricals (9)	2895.67	-0.6	8.69	4.12	14.34	55.83	2914.35	2920.80	2911.02	2153.27
5	Electronics (30)	2169.39	+0.5	8.95	3.38	14.43	48.92	2158.84	2179.57	2149.59	1656.71
6	Mechanical Engineering (56)	537.32	-0.2	10.37	4.28	11.77	12.43	538.50	538.18	538.15	405.25
8	Metals and Metal Forming (6)	514.05	-1.2	20.00	5.91	5.51	15.15	520.16	522.28	519.00	475.76
9	Motors (18)	377.65	-0.3	9.73	4.13	12.04	9.64	378.65	373.47	369.12	272.58
10	Other Industrial Materials (23)	1797.52	-0.1	9.15	4.17	12.09	50.48	1799.21	1813.31	1804.23	1322.55
21	CONSUMER GROUP (184)	1360.29	-0.5	8.11	3.22	15.45	23.49	1367.34	1374.15	1372.66	1046.84
22	Brewers and Distillers (22)	1490.27	-0.8	8.87	3.26	14.11	25.65	1510.42	1515.66	1510.56	1110.06
25	Food Manufacturing (20)	1187.84	-0.3	8.65	3.58	14.45	23.38	1191.99	1195.88	1198.82	943.44
26	Food Retailing (14)	2637.24	-0.2	7.70	2.62	17.18	38.73	2643.37	2651.58	2622.09	1847.75
27	Health and Household (14)	2585.37	-0.9	5.97	1.84	19.72	22.32	2608.28	2614.04	2606.52	1847.83
29	Leisure (34)	1798.37	-0.3	7.23	3.14	17.06	32.46	1803.61	1810.03	1817.45	1329.00
31	Packaging & Paper (15)	688.05	+0.7	10.25	4.28	12.12	15.78	683.54	682.67	687.86	588.09
32	Publishing & Printing (19)	3830.46	+0.1	8.34	4.41	15.42	98.58	3825.43	3834.34	3828.91	3271.71
34	Stores (32)	864.84	-0.6	9.96	4.26	13.11	18.54	870.31	884.80	887.39	749.17
35	Textiles (14)	577.98	-0.7	10.31	5.06	11.59	13.40	582.17	586.98	584.91	494.71
40	OTHER GROUPS (93)	1210.07	-0.1	9.71	4.00	12.49	25.42	1211.56	1215.13	1207.99	874.72
41	Agencies (17)	1564.79	-0.5	6.43	2.26	18.08	23.12	1573.18	1578.01	1563.13	1037.29
42	Chemicals (22)	1324.76	-0.6	11.22	4.72	10.50	41.28	1333.28	1333.16	1329.81	1030.34
43	Conglomerates (13)	1706.76	-1.1	10.02	4.78	11.74	28.94	1726.44	1733.51	1729.51	1202.38
45	Transport (13)	2424.23	-0.5	9.13	3.86	14.05	44.09	2435.47	2437.10	2433.44	1856.82
47	Telephone Networks (2)	1195.04	+1.4	10.24	4.15	12.72	22.38	1178.34	1180.41	1171.99	938.64
48	Miscellaneous (26)	1946.10	-0.3	8.94	3.28	12.63	44.32	1951.80	1965.85	1943.40	1186.66
49	INDUSTRIAL GROUP (485)	1238.18	-0.3	9.35	3.71	13.18	25.13	1242.00	1246.58	1241.98	941.49
51	Oil & Gas (15)	2216.14	-0.8	9.78	5.10	13.52	86.44	2235.33	2246.23	2241.88	1756.76
59	500 SHARE INDEX (500)	1321.30	-0.4	9.41	3.89	13.22	30.10	1326.32	1331.43	1326.75	1018.63
61	FINANCIAL GROUP (121)	811.34	-0.3	–	5.12	–	26.38	814.14	815.61	811.59	673.77
62	Banks (9)	834.25	-0.5	20.67	5.98	6.36	34.80	838.48	837.02	828.43	657.97
65	Insurance (Life) (8)	1207.60	-0.2	–	5.24	–	45.37	1209.80	1213.82	1213.86	986.00
66	Insurance (Composite) (7)	656.81	-0.6	–	5.76	–	24.09	660.92	678.42	667.75	527.52
67	Insurance (Brokers) (7)	983.14	-1.2	7.71	6.32	17.32	44.55	995.03	987.20	977.67	925.96
68	Merchant Banks (10)	402.94	-0.4	–	4.01	–	9.45	404.40	402.83	400.15	326.45
69	Property (49)	1342.96	-0.1	6.56	3.00	19.44	19.81	1344.11	1345.86	1347.34	1168.25
70	Other Financial (31)	367.68	+0.4	10.86	5.97	11.84	10.74	366.25	366.33	364.20	359.17
71	Investment Trusts (69)	1268.95	-0.2	–	2.67	–	19.44	1271.51	1271.96	1270.40	904.02
81	Mining Finance (1)	727.53	-1.4	10.46	5.70	10.74	22.25	737.79	741.64	727.53	580.55
91	Overseas Traders (8)	1457.45	-0.7	9.90	5.28	11.58	43.67	1467.72	1461.21	1460.98	1287.24
99	ALL-SHARE INDEX (699)	1197.67	-0.4	–	4.05	–	28.93	1202.28	1206.32	1201.74	927.61

		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Year ago
	FT-SE 100 SHARE INDEX‡	2359.6	-10.6	2365.6	2358.4	2370.2	2380.9	2369.8	2361.5	2373.8	1792.7

FIXED INTEREST

	PRICE INDICES	Mon Sep 25	Day's change %	Fri Sep 22	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	117.16	-0.01	117.18	–	9.42
2	5-15 years	132.75	+0.06	132.75	0.87	9.63
3	Over 15 years	142.14	+0.12	141.97	–	11.64
4	Irredeemables	165.95	+0.18	165.65	–	8.83
5	All stocks	130.18	+0.04	130.17	0.84	9.92
	Index-Linked					
6	Up to 5 years	140.06	-0.02	140.08	–	2.26
7	Over 5 years	138.37	+0.04	138.31	–	2.09
8	All stocks	138.38	+0.04	138.33	–	2.82
9	Debentures & Loans	111.71	-0.19	111.97	0.05	7.40
10	Preference	88.85	-0.27	89.09	–	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 25	Fri Sep 22	Year ago (approx.)
	British Government				
1	Low	5 years	9.82	9.82	9.91
2	Coupons	15 years	9.38	9.39	9.52
3		25 years	9.27	9.28	9.21
4	Medium	5 years	10.73	10.73	10.27
5	Coupons	15 years	9.78	9.79	9.77
6		25 years	9.40	9.41	9.48
7	High	5 years	10.84	10.83	10.43
8	Coupons	15 years	9.97	9.99	9.89
9		25 years	9.55	9.58	9.43
10	Irredeemables†		9.31	9.32	9.19
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.18	3.17	3.41
12	Inflation rate 5%	Over 5 yrs.	3.55	3.55	3.90
13	Inflation rate 10%	5 yrs.	2.34	2.32	2.29
14	Inflation rate 10%	Over 5 yrs.	3.37	3.38	3.72
15	Debs &	5 years	12.96	12.95	11.72
16	Loans	15 years	12.03	12.02	11.39
17		25 years	11.51	11.49	11.14
18	Preference†		10.40	10.37	10.29

‡Opening index 2359.1; 10 am 2364.7; 11 am 2362.3; Noon 2363.3; 1 pm 2365.5; 2 pm 2364.9; 3 pm 2360.0; 3.30 pm 2361.1; 4 pm 2358.5
(a) (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	27	33
Corporations, Dominion and Foreign Bonds	9	1	32
Industrials	209	504	881
Financial and Properties	91	186	390
Oils	15	41	36
Plantations	2	2	7
Mines	28	52	94
Others	27	128	97
Totals	426	941	1,570

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Sep 11
● Last Dealings Sep 22
● Last Declarations Dec 7
● For settlement Dec 18

For rate indications see end of London Share Service

Calls in Norex, Unid News, Atlantic Res, Oliver Res, Mining & Allied, Polly Peck, BPB, Medirace Wrnts, Boots, Christie Int, Eurotunnel Wrnts. Put Jaguar.

LONDON TRADED OPTIONS

NEWS THAT American Telephone & Telegraph has scheduled an important announcement in London this morning set British Telecom wires buzzing yesterday lunchtime, so that both the underlying BT shares and the options were heavily traded.

The stock ended at 282p, up 6p on the day, with a turnover of some 9.5m shares and a total of 5,274 options. Of those 3,017 lots were in put series, with 2,050 in the November 260 puts.

Dealers reported brisk two-way business in calls, with the optimists who believed the AT&T statement could concern a stake in BT well balanced by those who did not believe a word of it.

A number of investors were also reported to be closing out put positions which had been written when the stock was at a lower level.

FT-SE Index options recorded one its busiest sessions for many weeks, with a total turnover of 20,337 lots, predominantly in puts series (16,083 contracts). This was particularly noteworthy on a day when turnover in the stock market itself was distinctly sluggish.

A lot of the business related to closing of positions, and was largely confined to intermarket trading. Activity was spread across a number of series, although one institution was said to have assembled a 4,000 lot put spread in the October 2,150 and 2,200 series.

Asda options trading was mostly in call series, with a total of 2,995 lots including 2,543 calls. The busiest series was the November 200 calls, with 1,759 lots. This apparently represented one arm of a straddle sale, the call side of which had been crossed.

Other activity was very limited. The gyrations of Jaguar's share price continues to inspire some options positioning, particularly in hedge form. But yesterday's total was only 1,016 contracts, 794 of which were calls.

Meanwhile British Steel volume amounted to 1,528 contracts, with 1,328 calls – 819 of them concentrated in the October 145 calls.

In British Gas, total turnover was 1,388 contracts, split between 671 calls and 717 puts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*526)	500	37	57	76	6	17	22
	550	11	29	46	30	40	44
Brit. Airways (*213)	180	35	39	46	½	1½	3
	200	18	23	31	2	6	7½
	220	5	12	19	10	15	17
Brit. Com (*158)	140	24	28	35	3	7	9
	160	9	17	24	10	16	20
	180	3	8	15	25	30	32
Smithk Bchm (*577)	550	–	–	78	–	–	19
	600	9	31	49	28	35	40
	650	2	14	29	75	75	77
Boots	260	32	40	50	1½	4½	6
[illegible]							

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Storehouse (*145)	130	18	24	27	1	3	5
	140	10	15	21	2½	6	8
	160	2	7	11	16	17	19
Trafalgar (*387)	360	–	–	53	–	–	15
	377	22	30	–	7	17	–
	390	–	–	35	–	–	28
Utd.Biscuits (*391)	360	39	55	65	3	8	11
	390	15	36	45	11	20	25
	420	5	21	31	34	36	40
Unilever (*647)	600	55	72	93	3	8	14
	650	17	40	60	17	27	52
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Tesco (*212)	200	17	26	30	5	7	9
	220	5½	13	19	13	14	16
Option		Sep	Nov	Jan	Sep	Nov	Jan
Abbey Nat. (*154)	140	15	19	22	1	2	2
	160	1	8	11½	7	8	9
ASDA Grp. (*193)	180	13	23	29	1	6	9
	200	2	13	19	9	16	20
Option		Sep	Nov		Sep	Nov	
Gateway (*237)	220	–	–	–	1	1	–
	240	1	1	–	–	11	–
Option		Sep.	Dec.	Mar.	Sep.	Dec.	Mar.
Amstrad (*73)	70	4½	10	15	1	6	8
	80	½	6	11	7	12½	15
[illegible]							

FT-SE INDEX (*2359)

[illegible]

UK COMPANY NEWS

Lacklustre market leaves Myson static

By John Thornhill

MYSON GROUP, the boiler and radiator manufacturer which has been the subject of a takeover tussle between Blue Circle Industries and Yale and Valor, reported virtually static profits at the half-year stage.

In the six months to June 30 1989, Myson reported pre-tax profits of £8.7m (£8.61m) on turnover marginally ahead at £80.72m (£79.07m).

Mr Ray Wheeler, chairman, said this result reflected the impact of a more difficult home products market, which was estimated to be down by about 5 per cent to 6 per cent on the previous year.

However, new fire and boiler products continued to be developed and successfully introduced to the market, according to the company.

Trading profits were slightly down to £8.27m (£8.86m), but receivable interest of £431,000, compared with previous interest charges of £247,000, resulted in the gain at the pre-tax level.

Myson is awaiting the outcome of the Monopolies and Mergers Commission's investigations into the two takeover offers.

Yale and Valor, the security and home products company, launched a recommended £180m offer in July, which was followed two weeks later by an agreed £196m bid from Blue Circle, the diversified cement company.

Both bids lapsed after their referral to the MMC but may be relaunched if clearance is forthcoming. A decision is expected by the end of November.

Mr John Salkeld, chief executive, said the two bids had affected the company, but only at the top management level as they had been busy submitting reports to the MMC. "It gives less time to get around the units but basically things are going on as normal," he said.

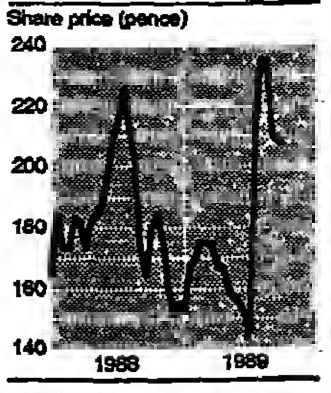
The board has declared an interim dividend of 2.55p (2.3p) payable from earnings per share of 6.87p (6.81p).

● **COMMENT**

Myson lingers in a state of limbo, waiting for the MMC to deliver news about its fate. Meanwhile, the company plods dutifully on, recording a respectable performance in a rather lacklustre market. This result caused few surprises and the eyes of Myson's followers are still steadily fixed on the day the MMC reports. The City consensus seems to suggest that both bids may be given the nod, making it worthwhile for investors to hang on to their shares until then. Even if both bids are blocked, another may yet emerge, especially given the senior management's seeming inclination to sell. Pre-tax profits for the year may rise to £24m giving Myson, a prospective multiple of about 11. That naturally contains a good dose of bid premium, but the shares may not fall much because of the assumption that Myson is up for sale.

Myson Group

Share price (pence)



GT Japan assets advance to 376.9p

GT Japan Investment Trust improved its net asset value to 376.9p per share as at June 30, against 358.8p a year earlier. Net profits for the year to the end of June were almost doubled at £1.26m (£646,000) reflecting a sharp rise in fixed income investments to £3.05m (£2.25m).

Earnings per share were 4.03p (2.12p). There is a final dividend of 1.5p (1p) making a total of 2p (1.4p) and a special payment of 1.6p (0.6p). A one-for-one scrip issue is proposed.

House of Fraser confirms sale of Irish stores to Ewart for undisclosed sum

By Maggie Urry

HOUSE OF FRASER, the department store group owned by the Al Fayed brothers, has confirmed that it is negotiating to sell Switzer, its four-store chain in the Irish Republic. The proposed buyer is Ewart, a property development and investment group based in Belfast, Northern Ireland.

Switzer was rumoured to be up for sale last month, at a price suggested at I£35m (£30.5m). The terms of the sale to Ewart are to remain confidential, House of Fraser said yesterday.

If the deal goes through, Ewart said it would continue to run Switzer as a retailer, and would open further outlets. It has a number of retail property interests.

The sale of Switzer would leave House of Fraser with 60 department stores in mainland Britain, and various other businesses such as Turnbull and Asser, the shirt maker, and Kurt Geiger, the shoe company.

Ewart was the subject of a bid approach in August, but earlier this month talks ceased.

Capita Group ahead to £502,000

In its first interim statement since flotation on the USM in April, Capita Group, a public sector management consultancy, unveiled pre-tax profits of £502,000 – a rise of 61 per cent on the £311,000 reported in the corresponding period last year.

Turnover in the six months to end-June totalled £3.01m (£1.97m), while earnings per 2p share increased from 2.9p to 4.4p. As forecast in the prospectus, the interim dividend is set at 0.8p.

Nissan dealership blow almost eliminates profits at DC Cook

By John Thornhill

DC COOK Holdings, the USM-traded motor dealer and property developer, yesterday reported a drastic fall, from £5.2m to £514,000, in pre-tax profits for the year to April 30.

This resulted from the loss of several Nissan dealerships after a change of franchising policy by the Japanese car maker.

The stock market had been warned earlier this month of Cook's difficulties and yesterday shaved only 1p off its share price to 70p. In February the shares stood at a high of 193p.

Mr Derek Cook, chairman, said the results included substantial losses directly attributable to the closure costs of the terminated dealerships, although he said it was difficult to quantify these losses because of the knock-on effect they had on the whole business.

Losses in the motor division, however, amounted to £5.76m compared with profits of £2.49m the year before. There was also an extraordinary loss of £621,000 resulting from rationalisation and reorganisation costs. Cook has widened its franchise representation and currently has 20 dealerships with six car manufacturers.

Overall, operating profits were £4.81m (£6.77m), but higher interest charges of £4.34m (£1.62m) knocked down the gain at the pre-tax level.

The property division expanded its profits from £1.99m to £5.7m, while profits in the financial services division advanced from £517,000 to £776,000.

The group's retail services activities – running 20 garage forecourt shops – incurred losses of £203,000 (profits £205,000), although they included substantial start-up expenses.

Turnover advanced strongly to £221.99m (£158.88m). Losses per share amounted to 0.13p, compared with previous earnings of 12.1p. The final dividend was passed.

Mr Cook said: "It has been a tough and traumatic year but there has already been a turnround. I am confident the measures taken will put us back on the track to future profitability."

● **COMMENT**

DC Cook was markedly reticent in elaborating on its difficulties yesterday because of fears that it may prejudice possible legal action. This made it difficult to assess how much the problems were due to external factors and how much of the company's own making. That all was not going swimmingly for the group, irrespective of the Nissan disruption, was evidenced by the change of auditors during the year and the departure of two directors – in that time-honoured phrase – "to pursue other interests". However, the company's record should win it the benefit of the doubt, although the mettle of its management will now be tested as it grapples with the problems. The new franchises it has won are reported to be performing well, the retail side looks promising, and the property division keeps things perky, but it will be a long hard struggle to restore profits and credibility. With disposals, Panmure Gordon forecasts pre-tax profits of up to £4m next year. This puts Cook on a prospective multiple of just under 9. But much firmer evidence of recovery and an improvement in the overall state of the car market will be needed before Cook warrants a second look.

Cornwell Parker held in check

By Andrew Hill

HIGHER INTEREST rates and the cost of complying with new flammability regulations hit results at Cornwell Parker, the manufacturer of fabrics and furniture, in the year to July 31.

The group, formerly known as Parker Knoll, reported a slight decrease in profits to £9.2m before tax, compared with £9.27m in 1987-88. Turnover rose from £74.22m to £81.44m.

Mr Martin Jourdan, chairman, said yesterday: "Despite the fact that the consumer durable market has been hit by high interest rates, I think we have done jolly well – this is mainly due to the strength of our brands."

But he added that other unexpected costs, totalling about £1m, had hit results in the second half of the year. In particular, the group suffered from the cost of complying with new legislation on flammability of upholstery fabrics, and also had to spend more than expected on reorganising County Kitchens, the fitted kitchen specialist bought in February.

Destocking of cabinet furniture by retailers worried about interest rate rises meant the group was unable to offset the £3.5m cost of a new factory.

Trading profits for the group's furniture operations slipped from £4.57m to £4.12m, while textiles increased to £5.23m (£5.03m). The balance sheet had been strengthened by a revaluation surplus of £8.7m on group properties.

Mr Jourdan said the group would probably steer clear of acquisitions while the market continued to be tough.

"Our job in the next 12 months is to keep our heads down, really work as hard as we can and maximise performance within the company."

A lower tax rate meant there was a 6 per cent increase in after-tax profits, to £6.31m (£5.97m), for earnings of 16.2p (15.6p). The final dividend is 3.6p for a total of 5.2p(4.8p).

● **COMMENT**

Cornwell Parker's insistence on the importance of its upmarket brands is understandable in the current economic climate. But the group's enthusiasm will not be enough to persuade investors that the shares are worth buying; Cornwell and its shareholders can only wait for consumer demand to revive. Meanwhile, the group says it has sorted out marketing problems at its Baker and Parkertex fabrics subsidiaries, amalgamating the sales forces and streamlining administration. In the current year, there should be no recurrence of the problems at County, but the group may suffer from the costs of maintaining higher levels of stock, as interest rates continue to bite, and marketing the new range of flame retardant textiles. Analysts are adding back the £1m cut from the figures for 1988-89 to give a pre-tax forecast of approximately £10m for the current year. The A shares slipped 5p to 198p yesterday and are on a prospective multiple of about 12 – high enough.

Stanley Miller dives to £22,000

Pre-tax profits of Stanley Miller Holdings, the building contractor, plunged from £315,000 to £22,000 in the first half of 1989, in spite of turnover advancing 43 per cent at £27.58m.

The directors said, however, that all group activities were now trading profitably and they were confident that the full year would reflect the real progress now being made.

An extraordinary loss of £570,000 comprised £695,000 from losses to date of sale and office closure expenses, less £125,000 from the proceeds of sale.

Loss per 10p share was 0.03p (5p earnings), while the interim dividend was maintained at 0.75p.

High-Point rises 17% to £2.44m

High-Point, the project promotion and consultancy group, lifted pre-tax profits 17 per cent from £2.08m to £2.44m in the year to May 31. The comparative figures for 1988 have been restated as Rendel Palmer & Tritton has been treated as a wholly-owned subsidiary and not an associate as previously.

The rise in profits was attributed to strong organic growth backed by continuing reinvestment of profits.

Turnover was up from £31.84m to £43.46m and operating profit was £3.29m (£2.64m). After tax of £912,000 (£826,000), earnings per 1p share emerged at 31.1p (26.3p). The dividend goes up from 5.75p to 6.75p with a proposed final of 4.5p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brent Chemicals	int	1.4†	Nov 24	1.25	-	6
Capita Group §	int	0.8	Nov 13	-	-	-
Carbo	int	2.5	-	2.1	-	5.7
Cook (DC) §	fin	nil	-	1.9	1.33	2.85
Cornwell Parker	fin	3.6	Nov 4	3.4	5.2	4.8
Cussins Property	int	3.75	Nov 29	3.15	-	8.25
FII Group	fin	6.5	Jan 2	5.75	10	9
Finlay Packaging	int	0.75	-	0.75	-	4
GT Japan Inv Tst	fin	3.1◆	-	1.6◆	3.6◆	2◆
High-Point	fin	4.5†	-	3.75	6.75	5.75
How Group	int	1.35	Nov 24	1.125	-	3.375
Jove Invest Tst	int	3.45	-	3.06	-	6.9
Lloyd Thompson	fin	4.1	Nov 24	3.35	6	5
Ldn & Edinburgh	int	1.875	-	1.5	-	4
MAI	fin	3.3	-	3.05	4.5	4.25
Memec	int	1.5†	Nov 24	1.4	-	5.2
Metalrax	int	0.96	Oct 27	0.8*	-	3.164*
Miller (Stanley)	int	0.75	-	0.75	-	4
Myson Group	int	2.55	Nov 10	2.3	-	6.25
Platon Intl §	fin	nil	-	-	nil	0.51
Rockfort Group	int	1.4	Nov 24	-	-	2.6
Telfos	int	3.6†	Oct 27	3	-	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.◆ Includes special dividend of 1.6p(0.6p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abbey National, Allied Partnership, BSG Intl, Blockleys, Bluebird Toys, Boosrom, Brixton Estate, Clifford Foods, Densons, Dolphin Packaging, Hawthorn Leslie, Holmes Protection, Ibstock Johnsen, Imtec, Kitty Little, London & Metropolitan, Needler, Neill (James), PCT, Proudfoot (Alexander).
Finals- Bryant, Lincat, Magnetic Materials, Trafford Park Estates.

FUTURE DATES

Interims-

ASB Barnett Kinnings	Sep. 27
Atlas Converting	Oct. 10
Cakebread Robey	Sep. 27
Copymore	Sep. 29
Doeflex	Oct. 3
Fortnum & Mason	Oct. 4
German Smaller Companies	Nov. 7
Hay (Norman)	Oct. 3
Helical Bar	Sep. 28
Hewden Stuart	Oct. 4
Kleinwort Benson Gilt	Oct. 2
Scott & Robertson	Sep. 27
Sears	Oct. 4
Whittington	Oct. 10

Finals-

Druck	Oct. 5
Ossory Estates	Oct. 2
Raine Industries	Oct. 3

UK COMPANY NEWS

Media activities behind MAI's rise to £55.2m

By John Ridding

A STRONG INCREASE in its media activities, which are in the process of being formed into Europe's largest outdoor advertising operation, lifted MAI, the diversified advertising and financial sarvices gronp, to pre-tax profits of £55.2m for the year to June 30.

The results, which represent an increase of 12 per cent over last year's figure of £49.29m, also reflect a reversal of the interim downturn at its core money and securities broking ivision.

The increased proportion of overseas business prompted an increase in the tax charge, and earnings per share rose only to 10.3p (10p).

Mr Clive Hollick, group managing director, said the media and market research companies "continued to show excellent growth".

The media division increased profits from £9.31m to £14.72m, reflecting the strong demand for outdoor advertising in the UK and the returns on tha group's 21 per cent crossholding in Avenir, the advertising arm of tha French Havas group.

In July, MAI announced that its media division would be merged with Avenir. Mr Hollick expects the deal to be completed by November and said that on the basis of Avenir's current market price, MAI's 36 per cent of the enlarged group would have a value of about £185m.

The Avenir merger reflects MAI's policy of obtaining separate listings to reduce the constraint placed on its share price by the relatively lowly rated securities and money broking businesses. In this respect, the gronp also has plans to float off its information division, which raised profits from £1.66m to £2.34m.

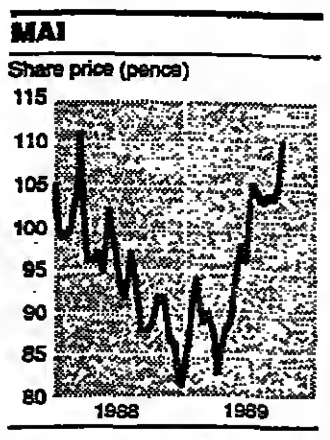
The money and securities broking activities remain the group's largest division. Profits increased from £30.43m to £32.25m because of a strong parformance in foreign exchange hroking and increased money broking volumes. Bnt activity in Eurobonds, corporate bonds and UK gilts remained depressed.

The retail financial services division saw profits relatively flat at £7.12m because of the increasingly competitive car loans market.

Nat aasets increased to £211m and will rise to £305m following the proposed merger of the media division with Avenir. Mr Hollick said MAI had resources of about £50m to pursue further acquisitions in all of the operating divisions.

During the period, group turnover increased from £302.45m to £342.93m. The proposed final dividend is being increased 3.3p (3.05p) giving a total of 4.5p (4.25p).

See Lex



Clive Hollick: £50m resources to pnrsue further acquisitions

Brent Chemicals up 21% but earnings growth is restricted

By John Ridding

INCREASED DEMAND from aerospace, defence and packaging customers lifted pre-tax profits at Brent Chemicals International, to £6.11m for the six months to June 30, an increase of 21 per cent over the 1988 period.

But earnings per share only edged ahead, from 6p to 6.1p, because of a higher tax charge and the impact of dividend payments arising from last August's preference share issue.

The group also announced the acquisition of Verbeeck & Marien, a Belgian manufacturer of flexographic printing plates, by taking a majority stake for a total cost of BFr88.4m (£1.36m.)

Mr Stephen Cuthbert, chief executive, said that with the exception of the pre-press services division Brent had benefited from the underlying growth of its major markets.

The pre-press businesses saw profits fall by about 20 per cent because of the downturn in consumer expenditure, but market share was increased from about 32 per cent to 39 per cent.

"I regard this downturn as a blip," Mr Cuthbert said. "We expect recovery in the UK and the market continues to grow across continental Europe."

Mr Cuthbert described yesterday's acqulsition as "an important move in establishing our graphic arts business as truly European."

About 55 per cent of the company's sales are in the Netherlands and the balance in Belgium.

The acquisltion used up Brent's cash holdings but by the year-end, it expects to have cash holdings of about £3m.

Group tnrnover increased from £39.65m to £42.06m. The interim dividend is raised from 1.25p to 1.4p.

● COMMENT

Brent's results would have been more disappointing yesterday had recent brokers' downgradings not provided a forewarning. But confirmation of the impact of the first-time preference dividend payment and evidence of slowing in certain markets still sent the shares down another 4p to 140p. The dividend has a one-off impact in terms of earnings, and will only affect the growth rate in the current year. The markets are less certain, however, with pre-press services looking sickly and electronic chemicals slowing. The stronger businesses, such as the aircraft cleaning products, will continue to show steady growth but are unlikely to push pre-tax profits above £13.1m for the full year. With lacklustre earnings growth and more difficult markets the shares are fully priced on a prospective multiple of 10.7. But with a prospective yield of over 6 per cent, there is little downside either.

Ferranti demerger proposal

By Hugo Dixon and Terry Dodsworth

HILL SAMUEL, the merchant bank, has been invited to put a proposal to the Ferranti International Signal board about demarging the tronbled defence group, and pooling its naval and avionics interests with those of Thorn EMI, the electronics and retailing group.

Hill Samuel and Murray Johnstone, the Scottish fund managers, spent yesterday in meetings with Barings Brothers, Ferranti's merchant bank, and Thorn. They have also contacted about a dozen of Ferranti's institutional shareholders representing around 20 per cent of the company's share capital.

Several institutions said they thought the Hill Samuel/Murray Johnstone plan was interesting but they were sceptical that it could be made to run.

Other rescue options for Ferranti would involve selling all or part of the group to a major international defence group. Shareholders feel that, in such circumstancea, they will be paid only the absolnte minimum for their shares.

However, the Hill Samuel/Murray Johnstone plan would mean that shareholders would have to put up new equity to plug the hole that Ferranti thinks has emerged in its balance sheet as a result of a £200m fraud.

● A delegation of seven Labour MPs yesterday met Mr Tom King, the Defence Secretary, and pressed him to act to secure the future of Ferranti, writes John Mason.

Although they won no commitments from the Defence Secretary, Mr Gavin Strang, the MP for Edinhurgh East, said Mr King had been "helpful and constructive. He made it clear that Ferranti was a very important supplier to the Ministry of Defence. They are desperately worried about it."

Mr Strang said the company had to remain independent with any infusion of capital aimed at developing operations and securing jobs.

Administrators estimate Eagle arm's debt at £12m

A BOARD meeting of Eagle Trust, the UK mini-conglomerate, on Sunday evening spawned further meetings with lawyers yesterday hut no official announcement on the replacement of Mr Malcolm Stockdale, the chairman, hy the expected candidate, Mr David James, a company doctor.

A consortium of Eagle's creditor banks asked Mr Stockdale to step down last week. The Serious Fraud Office is investigating Eagle'a affairs, at Mr Stockdale's invitation, following the discovery of a sum of £13.5m which could not be traced hy the group's auditors.

Meanwhile creditors of MCP Building Supplies, one of the main constituent parts of the Eagle Trust group until insolvency proceedings began last month, learned that the company had gone into administration with debts of nearly £23m.

Cashflow prohlems that emarged at MCP in 1988 were exacerbated by the resignation and non-replacement of the company's finance director, the creditors' meeting in Birmingham was told. The administrators were called in on August 4 when Eagle withdrew financial support for the subsidiary.

After realisation of assets, the administrators – Mr John Powell and Mr Michael Jordan of accountants Cork Gully – estimate that the net deficiency could be £12m.

However, Mr Powell told creditors that some aspects of MCP's financial affairs were still not clear. The net deficiency did not include, for example, some £1.2m from the sale of MCP trading outlets hecause some were in the name of other Eagle companies.

The administrators are also looking at MCP's indebtedness to other Eagle companies. According to the directors' statement of affairs, MCP owes group companies £6.85m.

Lloyd Thompson ahead 25%

By Eric Short

A NEAR 25 per cent increase in pre-tax profits, from £5.15m to £6.4m, was reported hy Lloyd Thompson Group, the Lloyd's insurance broking concern, for the year to June 30.

Attributable profits were 22 per cent higher, at £3.87m against £3.17m, with fully diluted earnings at 12.8p per share, compared with 11.1p.

Turnover grew by nearly 28 per cent to £15.01m (£11.76m), with all areas of husiness generating increased brokerage, despite continued difficult market conditions with widespread premium reductions.

Wholesale marine hrokerage rose from £7.8m to £8.5m, wholesale non-marine brokerage from £1.1m to £2m, and brokerage from reinsurance and political risks business and earned brokerage from £2.8m to £4.5m.

Trading expenses jumped by 35 per cent from £8.74m to £11.8m, reflecting the rapid growth of the company.

However, this expense growth was partially offset by a 50 per cent rise in other operating income, reflecting the strong rise in both dollar and sterling interest rates.

Mr Ken Carter, chief executive, stated that the group's development strategy continued to follow the route of entering new classes of business by recruiting leading professionals in those classes.

Next month, Lloyd Thompson will be expanding its non-marine operations with the formation of an international global and non-marine wholesale operation. That, said Mr Carter, would enable the group to fully partlcipate in the opportunities arising from the single European market.

The dividend is raised from 5p to 6p, with a final of 4.1p.

● COMMENT

Since Lloyd Thompson was floated on Black Monday in October 1987, the highly competitive world insurance markets, particularly the US, has put it through an ordeal by fire from which it has emerged truly tested and well placed to expand rapldly when market conditions revive. Insurance broking is a "people" business and the group policy of hiring leading professional hrokers and remunerating them for the job, in salary and options, should ensure it retains the necessary calihre of broker. Sucb a policy is essential if Lloyd Thompson is to continue lts development strategy of diversifying and expanding its operations world-wide, while still operating primarily in specialist areas. The market was expecting these results and the share price dropped 1p to 225p. The p/e of 15 on fully diluted prospective earnings for the current year, up hy a fifth on last year, does not fully reflect the group's potential once insurance market conditions improve.

Caparo accuses Armstrong on profits

By John Ridding

CAPARO GROUP, which is hidding £96m for Armstrong Equipment, has accused the engineering company of overstating profits and says there are discrepancies in its asset position.

In the formal offer document Caparo states that a £1.5m extraordinary item relating to rationalisation of Armstrong's fastenings bnsiness should have been taken above the line in the accounts for the year to July 1989.

Caparo claims that this would hava caused pre-tax profits to fall below the forecast made at the beginning of the year when Wardle Storeys, made a hostile hid for Armstrong.

Caparo also claims discrepancies in Armstrong's asset position. It says that on July 1 1989 net assets were £9.9m lower than the pro forma figure announced in May 1989 andthat profits on disposals of hnsinesses were £8.9m lower than had heen indicated.

Armstrong rejected the criticisms as "ill informed".

Mr John Pratt, finance director, said that the bulk of the rationalisation costs, which are aimed at increasing the efficiency of the fastenings husiness, are yet to be incurred and should not impact on the 1988-89 profits.

Assets expansion by Jove Inv

Net asset valne of Jove Investment Trust increased from 51.8p to 52.96p per income share and from 84.71p to 104.2p per capital share in the six months to August 31.

The company sald the higher-than-usual surplus carried forward would help ensure steady increases in dividends.

Pre-tax profits were £889,741 (£633,496) and tax took £224,210 (£164,325) leaving earnings at 4.7p (3.31p). The interim dividend per income share is 3.45p (3.06p).

Finlay Packaging

Technical difficulties which affected production for several weeks left Belfast-based Finlay Packaging 41 per cent lower at £331,000 pre-tax, against £563,000 last time.

Sales fell 9 per cent to £4.45m for the six months to June 30. Earnings per share were 2.5p (4.26p) and the interim dividend is maintained at 0.75p.

UK COMPANY NEWS

LET tops City hopes with £31m

By Paul Cheeseright, Property Correspondent

LONDON & EDINBURGH TRUST, the diversified property and financial services group, yesterday announced a 39 per cent increase in taxable profits.

Pre-tax profits for the six months to end-June were £30.8m compared with £22.2m in the same period of last year and £50.4m for the whole of 1988.

"The diversification of our property-related activities is on course and results over the full year should not disappoint shareholders," promised Mr John Beckwith, chairman.

The figures, which emphasised the trend towards sharply higher earnings among property companies, were at the top end of City expectations. But, in a flat property sector, the immediate reaction was to prompt a modest rise in LET shares of 1p to 140p.

LET, which has been widening its property portfolio both by type and by geography, saw increases in revenue from its activities in Spain and West Germany and from associated companies like Rutland Trust in the financial services sector and London & Carlton International, which operates serviced offices.

At the same time it has taken development profits from projects in the City of London and on the M27.

But expansion has its price and interest payable in the first half was £11.4m, more than double the amount in the first six months of 1988.

Helped by acquisitions, LET's investment property portfolio has increased in value by a third over the last six months to £487.5m.

Fully diluted earnings per share were 8.6p (7.1p) and the interim dividend is raised from 1.5p to 1.875p.

● **COMMENT**

The market jilted LET after the October 87 crash and latterly it has been languishing on a p/e of less than 8. It is time for a re-rating. LET is not now a property developer-trader of the type the market has loved to hate. Its asset base is too solid for that; over the whole year it should produce £28m in rental income with another £12m coming through later on reviews. If the property market gets rougher in the UK – and recent abnormally high returns are bound to slip – there is some protection from overseas earnings, likely to be a quarter of the total this year. Pre-tax profits this year should comfortably top £62m and, more importantly for the market, the net asset value should come out around 180p, putting the shares on a prospective discount of 22 per cent.

Queens Moat may issue shares to disgruntled holders

By Clay Harris

QUEENS MOAT Houses, the hotel group, is considering making a new issue of about 500,000 shares to satisfy 80 shareholders whose applications arrived too late to qualify for a recent rights offer. Another possibility is a compensatory cash payment.

The company yesterday asked Charterhouse Bank, its financial adviser, to explore ways to help extract it from an embarrassing situation which arose, in part, because of a printing error on the provisional allocation form.

Sharsholders were instructed to send their applications to National Westminster Bank's new issues department in London's Commercial Road, but the form incorrectly listed the postal district as EC2 rather than E1.

Mr Martin Marcus, Queens Moat's deputy chairman and joint managing director, said yesterday that the error was discovered shortly after the forms were posted. "We were assured 100 per cent [by NatWest] that arrangements had been made [with the Post Office] to cover it," Mr Marcus said.

"What seems to have happened is that cheques posted about September 6 or 7 were not handled properly," Mr Marcus said. "People who posted on September 10 got their shares."

The issue officially closed at 3pm on September 11, although Charterhouse disclosed yesterday that it had kept applications open for an extra day.

That was not long enough for Mrs Vivien Dyson, who posted her acceptance recorded delivery from Shenfield, Essex, on September 7 and was told that it arrived on September 14.

A Queens Moat shareholder for more than eight years, she said yesterday that she had always taken up her rights in the Essex-based hotels operator. "I don't want the cheque, I want my shares," she said.

It is a refrain that Mr Marcus has heard repeatedly from aggrieved small shareholders in recent days.

"If there's anything that we can possibly do to put it right we will do so," he said. Mr Robin Grant, of Charterhouse, described the events as a "catalogue of accidents," but Mr Marcus said: "We as a company have the ultimate responsibility."

Metalrax rises to £3.2m

MAINTAINED MARGINS led to the Metalrax Group of engineering specialists raising pretax profits from £2.65m to £3.17m in the first half of 1989.

And Mr John Wardle, chairman, said he was "in the happy position of having little concern about the second half".

Substantial capital investment, particularly in hi-tech equipment, helped the group to hold its profitable position in the market place.

The 20 per cent halfway increase was generated from sales ahead a similar amount to £29.64m (£24.81m).

Earnings rose to 3.88p (3.23p) and the interim dividend is lifted to 0.96p (0.8p).

Cussins profit doubled

A STRONG performance from its northern housebuilding subsidiary, coupled with higher rental income, enabled Cussins Property Group to lift interim pre-tax profits by 91 per cent.

While turnover for the first half of 1989 rose 29 per cent to £8.36m, taxable profits grew from £1.12m to £2.14m.

However, the joint southern residential operation with R Green suffered the effect of subdued market conditions and reported a lower than budgeted profit.

Earnings per 20p share increased to 19.48p (10.18p) and there is an interim dividend of 3.75p (3.15p).

Group to challenge GPG break-up proposals

By David Waller

A GROUP of small shareholders in GPG is planning to "kick up hell" at today's extraordinary general meeting at which they will be asked to approve the break-up of the financial services group via the sale of three businesses to management.

Led by Mr Ron Sansom, a retired civil engineer, the investors intend to challenge the principle of the break-up plans as well as the price at which they are to be effected.

Their aim will be to get the meeting postponed so that the issues could be considered in more depth and a white knight encouraged to come forward.

Mr Sansom said that some 30 small shareholders met last week to decide on a plan of action, and 130 more had written letters expressing their disquiet about the transactions. Mr Sansom said that the board would be "harassed on everything" at the meeting.

Specific objections to the proposals include:

● The fact that directors of subsidiary companies have threatened to resign if their buy-out proposals were rejected. This applies to both Fenchurch, the UK insurance broker, and Forstmann-Leff, a US fund management operation.

● The price. Forstmann-Leff, for example, is to be sold for $25m (about £15.5m) cash plus an element of deferred payment and a small stake in the buy-out.

Mr Sansom pointed out that this compares to the $91m GPG paid for the business in 1986.

● The fact that current members of the board speak for only 8,000 shares between them.

Mr Sansom contended that the board did not represent the views of shareholders in general, let alone the 3,600 minority shareholders.

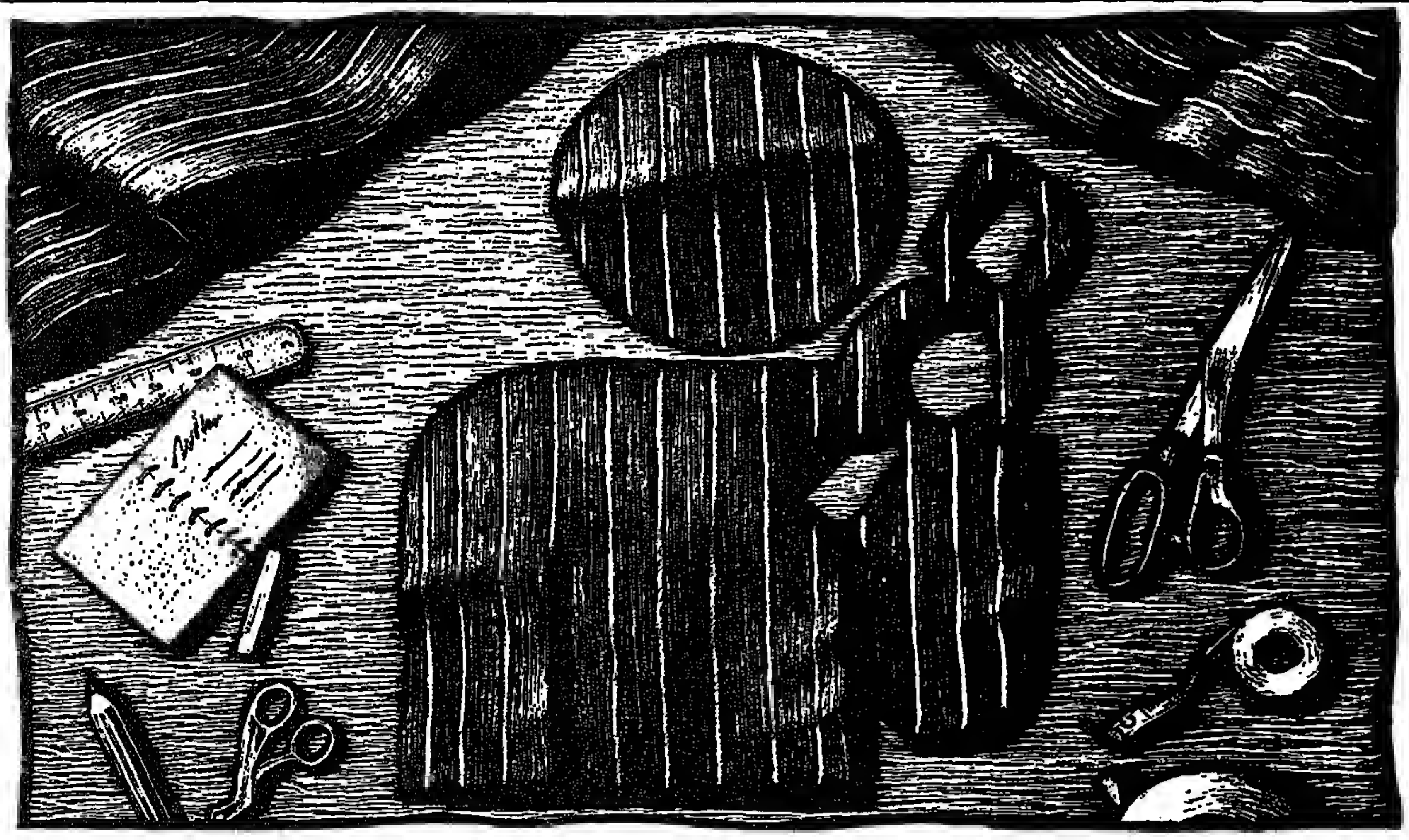
Strong second half lifts FII 26% in year

A 60 per cent increase in second-half profits at FII Group, the footwear manufacturer, lifted the full year result to £7.06m pre-tax.

This represented a 26 per cent rise over the previous annual figure.

Turnover in the year to May 31 moved ahead to £66m (£60.31m).

Earnings per share worked through at 36.6p (30.7p). The recommended final dividend of 6.5p (5.75p) makes total for the year of 10p (9p).



Seasonal nature of activity leaves Spear deeper in red

THE SEASONAL nature of activity, both in the UK and in France, coupled with the impact of reduced export sales resulted in "apparently high loss figures" at JW Spear & Sons, the games and toys manufacturer, in the six months to June 30.

Losses before tax were £899,000 (£747,000) on turnover just ahead at £5.45m (£5.16m). The company said that cost savings were expected to flow from improvements in UK production activity, but not fully until later in the year and beyond.

The company also blamed increased toy fair costs and redundancy costs for the depressed results.

Interest payable rose to £126,000 (£84,000), though tax receivable was up at £335,000 (£289,000), leaving losses per share of 11.59p (9.41p) at the basic level and 10.24p (8.31p) fully diluted.

There was an extraordinary credit of £91,000 (nil) relating to the sale of the Hayter jigsaw factory, less closure costs.

£7.4m acquisition for Porter Chadburn

PORTER CHADBURN, a holding company with interests in consumer and leisure products, specialist distribution, and manufacturing and packaging, is to acquire Fleckhope Group for a maximum £7.35m.

Fleckhope is a distributor and wholesaler of fishing tackle.

The initial consideration is £6.7m, payable on completion and satisfied by £1.65m cash and the issue to certain of the vendors of £8.02m nominal of loan notes in Porter Chadburn.

The deferred consideration, to a maximum of £650,000, is payable if Fleckhope's pre-tax profits for for 1989 – before non-recurring directors' pensions and after the amount attributable to minority interests – exceeds £1m.

How Group shows increase to £2.4m

The How Group increased turnover 18 per cent and pretax profit 19.5 per cent in the half year to June 30.

This building services contractor produced sales of £100.52m (£85m) and profits of £2.44m (£2.04m). The directors said results were much in line with expectations. The year should continue satisfactorily in view of the amount and quality of contracts.

Earnings came to 3.9p (3.2p) and the interim dividend is 1.35p (1.125p).

UK COMPANY NEWS

The use of forecast losses as a defence

Nikki Tait sums up the various arguments behind Blacks' bid for Goldberg

IN A conventional bid battle, the defending company, anxious to see off a hostile predator, makes a profits forecast which is as high as it can sensibly deliver and low enough to be credible.

Not A Goldberg. As the final closing date looms tomorrow in the unhappy £32m tussle with Blacks Leisure, this Glasgow-based stores group has been *obliged* to tell shareholders that operating losses in the first five months of the year have been incurred at a higher rate than in the second half of 1988/9. In that period, Goldberg made a trading loss of £3.26m.

Paradoxically, however, the question now is whether this dismal warning may have given the company its best chance of surviving the attack. For Blacks has made no attempt to underwrite its all-paper terms as a result.

And that, in turn, has left shareholders with a stark and *unenviable* three-way *choice*.

They can accept the original 22-for-one share swap offer from Blacks; they can retain their Goldberg paper; or they can try to sell into the market.

Blacks, of course, is anxious to stress the advantages of the first option. The camping and sportswear retailer rests its case on three points. First, it claims that its own management team could bolster Goldberg's internal resources; second, it suggests that Blacks' menswear and womenswear suppliers could help on the merchandise front; and third, it maintains that indigenous Blacks businesses could usefully expand into some of the Goldberg retail space.

Elaborating on this last *point*, Mr Simon Bentley, Blacks chief executive, argues that as many as 40 retail outlets belonging to Goldberg could be redeployed as either Blacks camping outlets, or be utilised by its Alpine and First Leisure chains.

What has never been any secret is that Blacks would also sell Goldberg's department store sites in Glasgow and Edinburgh. At the start of the bid, Blacks suggested that some £12m might be realised here – virtually double the latest book value.

And this, coupled with Goldberg's relatively strong asset base, could usefully strengthen the Blacks balance sheet. On a crude pro forma basis – which, admittedly, ignores the *effect of the recent Goldberg* losses – analysts estimate that gearing for the merged group might stand at around 50 per cent, while Blacks, on its own, put net debt in August at £10.4m, against a February net asset figure of £7.3m.

The problem faced by the market is that Blacks, as a retail proposition, is something of an unknown quantity – with the result that analysts' views on this commercial case are sharply divided.

Blacks itself is keen to dissociate itself from its former image as one of the bull market's highest-flying shell companies. But even if the recent management changes are taken to signal a new order, the fact remains that Goldberg shareholders have little evidence of the "new" Blacks record on which to base any judgment.

It should be added that these "industrial" arguments have never formed the cornerstone of Goldberg's case, although it has questioned the extent of Blacks' current fashion retail experience. Its own contribution – aside from the profits warning – has been a sharp attack on the wisdom of accepting Blacks paper, plus some general indications that it is attempting to tackle the trading problem with a mixture of retail initiatives and cost controls.

On the latter score, analysts are *less than* enthused. Full year forecasts for 1988/9 range from a £2m deficit to as much as £3m to £4m, although most carry the caveat that sensible predictions are virtually impossible. And while there is some acknowledgement that Goldberg could have recovery potential in the longer term, few expect a significant profit before 1991/2.

To the Goldberg side of the picture, should be added the shadowy figure of Fletsand, the company resulting from the management buy-out of the Lewis's stores from Sears last year. Fletsand has made some modest share purchases of Goldberg stock, and suggested that if the Blacks bid fails it would re-open friendly discussions with the defending camp.

Again, however, analysts tend to be sceptical – pointing that no up-to-date accounts are available for Fletsand and if the notion is some sort of reverse takeover, the benefits to shareholders remain unclear.

The third option – on which most commentators have alighted – is to sell in the market. Unfortunately, while this route may have some attractions for small shareholders, brokers *were suggesting yesterday that* it is scarcely a feasible option for anyone wishing to deal in significant amounts. Blacks itself, which could buy up to 10 per cent of Goldberg, has made no market forays.

So where does this leave shareholders?

A suggestion, made public by Goldberg's advisers, that Blacks should underwrite its paper at 6p a share and that a recommendation might then be forthcoming, brought no response. Perhaps, one impression designed to flow from this was that the Blacks price might not be underpinned at this level if the bid went through. In the event, one analyst has suggested that the downside could be closer to 4p; another goes for 6p.

This point, however, should be countered by consideration of where Goldberg might end up if Blacks fails. Blacks has pointed out that Goldberg itself effectively set a sale price of 132p on the group.

And again, analysts are rather more gloomy, suggesting that the downside could take the price nearer to 100p. The only hope is that both the presence of Charterhall's 29.9 per cent stake, clearly up for sale, and Fletsand-type speculation might provide some ongoing speculative prop, at least in the short term.

In practice, however, the outcome probably rests with a handful of institutions – in particular, Scottish Amicable, *holding over 6 per cent of the* shares and rumoured to be wavering. Blacks has already claimed control of 35 per cent, including the Charterhall stake; on the other side, the Goldberg family with 17 per cent can be expected to reject the Blacks paper.

As ever, decisions may be last minute and difficult. But, somehow the prospect of adding a little-known management team and additional debt to a situation which is troubled enough in the first place does not seem the sort of solution which institutions are normally keen to embrace. If so, Goldberg may yet live – at least, to attempt to find a happier solution.

NEWS DIGEST

Memec falls in 'difficult conditions'

MEMEC (Memory and Electronic Components), the Oxfordshire-based distributor of electronic components, microprocessor systems and related equipment, experienced "difficult market conditions" in the first half of 1989, leading to a decrease in gross and net margins and a fall in pre-tax profits.

The taxable figure of £3.39m (£4.1m) was struck on sales 21 per cent ahead at £49.04m (£40.42m). The company said that sales growth came from geographic expansion and further additions to the product range.

Earnings dipped to 7.79p (9.74p) per share, though the interim dividend is lifted to 1.5p (1.4p).

The company expected conditions to remain difficult, but was confident that sales could climb and that, with its rigorous inventory and cost control programmes, long-term profitable growth could be achieved.

Rockfort profits virtually unchanged

Profits in the first half of 1989 from Rockfort Group have been maintained under a new accounting policy which capitalises interest on non-residential developments.

Profit of this property developer worked through at £2.79m, against a restated £2.78m. Under the old system of taking interest costs through the profit and loss account, it would have fallen from £3.03m to £2.4m.

Turnover increased to £27.8m (£20.3m) and operating profit was £4.4m (£3.15m), before interest charges of £1.61m (£367,000). Earnings were 4.2p on higher capital (6.2p) and there is an initial interim dividend of 1.4p.

Mr Roger Smee, chairman, said on the commercial side the principal contributor was the office development in Reading; also a substantial amount came from the sale of Kingsway Hall, in London. In the second half a number of schemes were due for completion.

Carbo progresses to £2.2m

Carbo, the abrasives and plastics group, lifted pre-tax profits from £1.85m to £2.2m in the six months to June 30. Sales rose *by £1.9m to £32.62m.*

Interest payable was up at £89,000 (£71,000). Earnings were 12 per cent ahead at 9.5p per 5p share. The interim dividend is raised to 2.5p (2.1p).

Mr Trevor Egan, chairman, said the interest expense would be higher in the second half, reflecting the higher level of borrowing to finance the £2.5m acquisition in July of General Moulders.

Telfos surges to midterm £2.9m

Substantial growth on the engineering side enabled Telfos Holdings to lift pre-tax profit from £1.96m to £2.89m in the first half of 1989.

Turnover was more than doubled at £22.68m (£10.35m) while operating profit moved up to £3.24m (£1.85m). Interest charges rose to £751,000 (£101,000).

The directors said engineering contributed £2.84m (£1.06m) to profits. Manufacturing subsidiaries should continue to benefit from higher order books in the second half.

Earnings worked through at 11p (7.5p) and *the interim dividend* is 3.6p on capital increased by a rights issue (3p).

Cut in costs helps Platon reduce loss

A substantial reduction in administrative costs enabled Platon International, the USM-quoted maker of flow and pressure measuring and controlling instruments, to cut losses from £957,000 to £561,000 in the year to March 31.

With turnover down at £5.63m (£7.02m), distribution costs were reduced to £644,000 (£730,000) and administration costs to £1.45m (£2.1m). There was no exceptional debit this time (£374,000), though interest payable rose to £394,000 (£354,000).

USM for insurer tagged at I£38.65m

FBD Holdings, the farmer-controlled diversified insurance group, has applied for its shares to be traded on the Unlisted Securities Market in Dublin and London. At the same time the company announced a I£4.32m (£3.75m) share placing.

To the Holders of

Province of Quebec

(Canada)

U.S. $60,000,000

9% Bonds Series EHM Due November 1st, 1995

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Fiscal Agency Agreement dated November 1st, 1977 between the Province of Quebec ("The Issuer") and the Bank of Montreal ("The Fiscal Agent") the following bonds have been drawn for redemption to satisfy the requirements of the Issuer's 1989 Sinking Fund as at November 1st, 1989.

The Issuer will redeem the following 1800 Bonds at 100% of the principal amount plus accrued interest to the redemption date:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2822	8213	10718	13143	16064	18579	23118	26679	28798	32061	35394	39307	43196	47795	49843	52373	57570	59218
2833	8214	10718	13183	16082	18593	23131	26708	28818	32121	35411	39406	43206	47803	49863	52382	57578	59245
2913	8252	10719	13167	16088	18599	23158	26742	28888	32163	35439	39431	43216	47804	49881	52383	57592	59255
2927	8287	10762	13177	16195	18730	23157	26756	28913	32198	35482	39485	43223	47819	49906	52485	57604	59269
3010	8327	10787	13185	16197	18737	23171	26777	28933	32204	35535	39915	43606	47831	49936	52514	57612	59278
3056	8331	10806	13196	16205	18767	23174	26803	28956	32212	35567	39936	43618	47847	49957	52531	57638	59300
3058	8333	10813	13203	16207	18839	23202	26812	28983	32238	35584	39947	43642	47881	49986	52569	57663	59436
3155	8353	10816	13207	16233	18892	23207	26836	29006	32265	35602	40010	43662	47908	50003	52576	57688	59452
3177	8389	10841	13220	16236	18921	23209	26848	29027	32296	35639	40039	43683	47932	50011	52592	57708	59462
3196	8390	10853	13231	16364	18922	23213	26883	29105	32324	35683	40061	43711	47953	50036	52603	57733	59487
3267	8403	10858	13235	16391	19071	23221	26914	29143	32346	35739	40137	43768	47986	50069	52631	57758	59503
3268	8404	10866	13242	16408	20018	23234	26949	29171	32369	35782	40158	43784	48005	50089	52648	57768	59518
3274	8405	10878	13311	16414	20065	23245	26952	29199	32377	35794	40184	43804	48012	50114	52686	57793	59556
3344	8463	10884	13341	16416	20088	23257	26986	29205	32383	35823	40213	43813	48025	50136	52706	57808	59568

Interest will cease to accrue on the Bonds called for redemption on and after November 1st, 1989 and Bonds so presented for payment should have attached all Coupons maturing after that date.

Bonds to be redeemed will become due and payable on November 1st, 1989 at the offices of:

The Fiscal Agent in London and Montreal, the office of S.G. Warburg & Co Ltd *in London, the principal office of Bank of Montreal Trust* Company in New York City, the main office of Kredietbank N.V. in Brussels, the main office of Westdeutsche Landesbank Girozentrale in Dusseldorf, the main office of Commerzbank Aktiengesellschaft in Frankfurt/Main, the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg, the main office of Credit Lyonnais in Paris, the main office of Banco di Roma in Rome and the head office of Credit Suisse in Zurich.

Bonds drawn for the 1988 mandatory Sinking Fund and not yet presented for payment:

263	791	2515	3060	5798	7710	8639	9150	9443	10784	11736	12200	12445	12990	14883	21070	40724	54729
538	1008	2599	3305	6671	8510	9002	9175	9452	10804	11768	12238	12575	13282	14888	22748	52060	54732
589	2515	2637	3962	7220	8574	9149	9190	9822	11652	12067	12368	12576	13510	16363	38595	52061	

BANK OF MONTREAL, LONDON
Fiscal Agent
September 26th, 1989

EC reaches agreement on New Zealand produce

By Tim Dickson in Brussels

EUROPEAN COMMUNITY Agriculture Ministers last night concluded an important three-way deal, securing agreement on the level of New Zealand butter and lamb imports over the next three years and finalising the terms of the EC's newly-reformed sheepmeat regime.

The breakthrough, which came after months of deadlocked negotiations, will be greeted with relief in New Zealand where farmers will now be able to plan their meat and dairy exporting programmes with greater certainty.

By formalising the outline political accord on sheepmeat reached by the EC Farm Council in July, yesterday's deal also marks another step along the road to a more market oriented EC farm regime.

The terms of the agreement which has been struck with the New Zealanders are exactly the same as those negotiated by the then Agriculture Commissioner, Mr Frans Andriessen, and New Zealand's Trade Minister, Mr Mike Moore, in the autumn of last year.

On butter, it provides for an EC import quota (exclusively for the UK) of 64,500 tonnes this year, falling in equal steps to 55,000 tonnes by 1992. Last year, the quota was 74,500 tonnes.

The levy paid on these imports was previously 25 per cent but has now been reduced to 15 per cent.

So far this year, New Zealand is estimated to have sent 55,000 tonnes – because the agreement has been back-dated to January 1 this means that quantities sent between now and the end of the year will certainly have to be scaled back.

Several member states – notably France and Ireland – had been anxious to go for a larger reduction but their opposition appears to have been dropped in the face of the European Commission's firm stand.

On sheep-meat, New Zealand will be allowed to send 205,000 tonnes under a new voluntary restraint agreement, compared with the theoretical 245,000-tonne limit allowed under the terms of the previous arrangement. There will also be an explicit limit of 6,000 tonnes of chilled New Zealand meat.

The new internal EC sheep-meat regime marks the dismantlement of Britain's variable sheep-meat premium and represents a move towards a two-tier heavy lamb/light lamb subsidy system for the years to come.

● The UK Agricultural Supply and Trade Association (UKASTA) estimates the 1989 British wheat harvest at 14.5 mln tonnes, 600,000 tonnes more than the official Agriculture Ministry forecast issued last week, reports Reuter.

The total UK grain harvest is estimated at 23.03m tonnes, compared with 22.5m tonnes by the Agriculture Ministry, UKASTA said.

Drought forces Turkey to import grain

SHIPPING CONTRACTS for the import of 2.58m tonnes of grain have been awarded by Turkey's state-owned Soil Products Office, writes Jim Bodgener in Ankara.

Drought this year has reversed last year's net export surplus for Turkey's grain output, forcing the import of 5m to 6m tonnes costing op to $1bn.

The grains, mostly wheat, will be supplied from diverse origins – Argentina, South Africa, Saudi Arabia, Spain, Yugoslavia, the UK, the US, France and West Germany.

Cuba boosts nickel supplies

By Kenneth Gooding, Mining Correspondent

CUBA IS emerging as an increasingly important supplier of nickel to the West, Shearson Lehman Hutton points out in its latest annual survey of the nickel market.

Communist countries already account for about 10 per cent of the nickel supplies to the West, contributing 74,000 tonnes in 1988. So far, the bulk has come from the Soviet Union, but Shearson forecasts Cuban exports to the West, estimated at 12,000 tonnes in 1988, will rise to 14,000 tonnes this year and to 18,000 tonnes in 1990.

This will help boost communist nickel exports to the West to 80,000 tonnes this year and "we expect net supplies to be maintained at these levels during 1990," says Mr Jim Lennon, co-author of the report.

For some years severe operating problems have held back output from the Punta Gorda nickel smelter in Cuba, which has an annual capacity of 30,000 tonnes. Soviet experts helped the Cubans to overcome the difficulties, he says.

The report also suggests that the bull market for nickel will end late in 1989. There will be a surplus of supply over demand of about 46,000 tonnes this year after seven consecutive years of deficit.

Consequently, Shearson predicts that the London Metal Exchange cash price of nickel will fall to an average of $4.25 a lb next year from a forecast average of $6.20 in 1989 and the actual $6.27 last year.

The surplus will partly arise from cuts in stainless steel production, which accounts for about 60 per cent of nickel usage. Shearson estimates that stainless output will decline from 10.52m tonnes last year to 10.41m tonnes this year and to 10.21m tonnes in 1990.

Meanwhile nickel production will increase as a result of higher operating rates and expansion at existing smelters. Production is forecast to rise from 558,000 tonnes last year to 577,500 in 1989 and to 616,400 in 1990. Consumption is predicted to fall from 670,000 tonnes last year, to 666,000 in 1989 and to 650,000 in 1990.

Shearson's annual review of the silver market has also been published. Ms Rhona O'Connell, the group's precious metals analyst, says silver's investor appeal has waned over the past 18 months. The core of physical investment activity is concentrated in the US and there has been so much disinvestment from North American small bar holders that pressure has been put on refinery space.

In the next six months industrial demand might take the silver price up to $6 a troy ounce, suggests Ms O'Connell, but then the lack of private investor interest will drive it back down towards $5 again.

Consequently, silver prices are predicted to average $5.50 an ounce this year, down from $6.53 in 1988. Next year prices are expected to range between $4.85 and $6 an ounce and to average $5.30.

Annual Reviews: World Nickel Industry 1989; World Silver Industry 1989. free to clients or £1,000 or $2,000 each from Shearson Lehman Hutton, 1 Broadgate, London EC2M 7HA.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+1,125	to 82,400
Copper	+13,500	to 110,700
Lead	−1,575	to 36,425
Nickel	+702	to 4,446
Zinc	+1,200	to 69,025
Tin	+730	to 4,250

Glasnost comes to the Soviet oil industry

Karen Fossli on a new eagerness for co-operation following Barents Sea gas finds

WESTERN OIL companies have responded enthusiastically to recent active overtures from Moscow calling for their participation in the exploration and subsequent development of oil and gas fields in the politically sensitive Soviet Barents Sea.

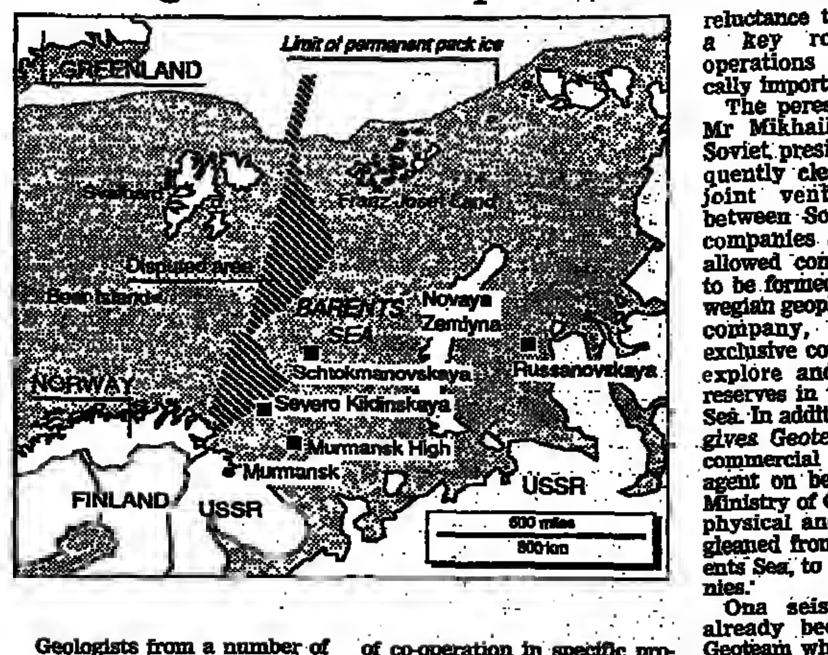
The Soviet Union is reported to have made five natural gas discoveries and identified 19 additional structures in the Barents Sea since exploratory drilling began in 1982, according to sources. Exploration efforts have concentrated on the discovery of oil deposits for the country has become increasingly hooked on hard currency revenue from oil exports. Since the early 1980s oil has accounted for 60 per cent or more of this income.

According to researchers at the Fridtjof Nansen Institute in Oslo: "It is believed that 35 per cent of all expected offshore oil resources are accumulated in the European part of the USSR. . . Soviet estimates from the 1970s indicated a potential of 2,200m tonnes of oil in this area (and). . . may explain some of the Soviet interest for exploration drilling in the area."

Last month Soviet officials visiting Norway gave details of two big offshore gas fields, believed to be the world's largest, discovered in the Barents and Kara Seas.

Norwegian officials and delegates attending an oil conference in northern Norway were given a display of glasnost not previously experienced in oil industry circles.

Well logs detailing rock properties in two boreholes drilled in the Schtokmanovskaya and Russanovskaya discoveries were exhibited to a very surprised audience.



Geologists from a number of Norwegian and foreign oil companies attending the speech and visual display by Mr Ostap Sheremeta, a senior official in the Soviet Ministry of Oil and Gas, said that well logs were seldom, if ever, displayed publicly because they had a commercial value; but this time the exercise was undertaken by the Soviets in an effort to capture western interest.

Norsk Hydro, Norway's largest publicly-quoted company, which has interests in oil and gas, hosted a luncheon for Mr Sheremeta and his entourage as part of its effort to strengthen the company's position while seeking inclusion in Soviet petroleum projects.

Norsk Hydro last year opened an office in Moscow and is discussing with the Soviets several possible areas of co-operation in specific projects ranging.

"We are interested to see if there is a basis for feasible petroleum activity in the (Soviet) Barents Sea," Mr Svein Breivik, head of Hydro's international division, explained recently. He also expressed interest in participating in developing Soviet Barents Sea oil and gas fields.

The Soviet Union has made three major gas discoveries in the Barents and Kara Seas for which it needs western technology and development expertise. Previously, during the Brezhnev era, Norsk Hydro and Saga Petroleum, another Norwegian oil company, offered to help the Soviets in offshore oil exploration. However, the offer is believed to have foundered on Soviet reluctance to allow foreigners a key role in offshore operations in these strategically important waters.

The perestroika policies of Mr Mikhail Gorbachev, the Soviet president, have subsequently cleared the way for joint venture agreements between Soviet and western companies and have already allowed concrete partnerships to be formed. Geoteam, a Norwegian geophysical exploration company, has been given exclusive commercial rights to explore and map petroleum reserves in the Soviet Barents Sea. In addition, the agreement gives Geoteam the exclusive commercial rights to act as an agent on behalf of the Soviet Ministry of Geology to sell geophysical and geological data, gleaned from the (Soviet) Barents Sea, to western oil companies.

One seismic survey has already been completed by Geoteam which is currently in the process, with the Soviets, of analysing data obtained by the Soviet survey ship Geolog Dimitry Nalivkin.

This is the first time a western company has worked from a Soviet research vessel to map oil resources in Soviet waters. The Geoteam agreement seems to confirm earlier western scepticism about Soviet capability to process geological data. In the pre-Gorbachev era, the Soviets denied western companies access to this data. The exploration vessel, however, is surprisingly well equipped with western technology. It was built in 1985 in Finland.

Last month Mr Thorvald Stoltenberg, the Norwegian Foreign Minister, issued a warning that oil companies must restrict their Barents Sea activities to undisputed waters.

For 15 years Norway and the Soviet Union have been at odds over a demarcation of the Barents Sea comprising a disputed area covering 155,000 sq km.

Norway favours a median-line principle which follows the Geneva Convention of 1985 and the 1982 United Nations Law of Sea Convention. This puts the boundary farther east than the sector-line principle favoured by the Soviet Union.

Last year Mr Nikolai Ryzhkov, the Soviet Prime Minister, called for Norway and the Soviet Union to "jointly administer" as a fifty-fifty area of economic co-operation the disputed zone. Norway, however, has made clear that it will not accept co-operative arrangements for the disputed area.

This was reiterated recently by Mr Stoltenberg who said that Norway's main goal was to achieve a permanent demarcation.

In 1983 the Soviets identified a natural gas structure (Severo Kildinskaya) bordering the median line in the southern part of the Barents Sea, though no further efforts have been made by them to develop the find.

Murmansk High, another Soviet Barents Sea gas field east of the disputed area, is what has captured the interest of western oil companies.

Here the Soviet Union is evaluating a plan which calls for gas-fired power generation for the Kola Peninsula in tandem with pipeline export of natural gas to Finland and Sweden, in competition with Norwegian gas supply.

Western interest, however, may be expected to shift to the two new gas discoveries because of their size and export possibilities.

Tapping Siberia's more difficult reserves

Quentin Peel explains why Moscow is seeking western finance and expertise

THE SOVIET authorities have launched a new bid to attract the capital and expertise of western oil companies for the opening up of difficult new on-shore oil fields in Siberia, the Arctic Circle, and the Caspian region.

Large packages of geological and geophysical data have been prepared for the oil companies to assess the sort of joint ventures they might undertake in six huge exploration areas.

In particular, the Soviet authorities are looking for western companies with expertise in stratographic exploration and the production of heavy crudes, in two major areas bordering the Caspian Sea, they need technology capable of identifying hydrocarbons through layers of salt – a problem already encountered by oil companies in the North Sea.

Packages of data are also on offer for two big areas of eastern Siberia – Tungnska and Nepski. The former is virtually unexplored while the latter's known oil and gas deposits are in very difficult geographical conditions.

The marketing is being handled by Jebco Seismic, a British company which last April signed an exclusive contract with the Soviet Ministry of Geology to process, package, market and sell the raw statistics.

However, even before the figures have been passed on to the oil companies – the first packages will be ready for delivery in October – several have already visited Moscow for preliminary discussions with the Geology Ministry and the newly-amalgamated Ministry of Oil and Gas Production.

"The western companies are fascinated," said Mr Ian Edwards, general manager of Jebco. "This is the first opportunity western industry has had to gain access to large volumes of geological and geophysical information, which they need to evaluate the potential for joint ventures.

"Up until now this information was all classified as secret, strategic information. The response we have had to date is overwhelming."

The Soviet side is leaving all the details of joint ventures open for negotiation with prospective partners, depending on the areas they choose. In theory a western partner could control up to 99 per cent of a venture, although the Ministry of Geology is keen to participate in both exploration and production.

Two areas in the far north of the Soviet Union, Timan and Pechora, require stratographic exploration for possible hydrocarbons in reef deposits. That is a precise technology in which western oil companies have much more experience than their Soviet counterparts, thanks to their experience in the North Sea and Mexico.

The other main feature of Timan and Pechora is the existence of heavy crude oil in deposits already identified. "They would seek to enter into joint ventures with oil companies that either have experience of production of heavy crude, or can bring technology to the table as part of the input for the joint venture," Mr Edwards said.

The Ministry of Geology is prepared to enter into production-sharing agreements, similar to deals western oil companies have done in other parts of the world.

Two zones in the Pri-Caspian area north-east of the Caspian Sea also have a long history of oil and gas exploration, but now require state-of-the-art drilling techniques to control sub-surface, high pressure and corrosive gases. The geophysical exploration problem is the existence of salt layers which distort seismic signals – a problem western companies have also learned to deal with in the North Sea.

In Siberia, the Nepski area has significant known quantities of oil and gas, but no infrastructure to exploit them. The Tunguska area has yet to be explored because of its inaccessibility.

"The Ministry itself wants to be involved in both exploration and development, "but there are opportunities perhaps in the future for different proposals from western industry," Mr Edwards said. "The Ministry may be a tough negotiator, but they are open to any ideas the oil companies propose."

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices fell on the LME yesterday on news that stocks in LME warehouses rose by 13,500 tonnes to a four-month high of 110,700 tonnes. The market has turned bearish, traders said. The next major price move will probably be mainly dictated by the mood of US traders when they come to London next week for the LME annual dinner. Aluminium prices eased in long liquidation in the afternoon, failing to respond to dollar weakness and to the power cut following Hurricane Hugo at the 200,000 short tons a year Mount Holly, South Carolina, smelter owned by Alumax. A protracted loss of power could lead to pots freezing and a prolonged shut-down. Coffee prices eased as the International Coffee Organisation's annual two-week meeting got under way. Traders are pessimistic over attempts to revive coffee export quotas.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.45q	+.075
Brent Blend	$17.45-7.50w	-.045
W.T.I. (1 pm est)	$19.40-9.45q	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	
Gas Oil	$168-169	-4
Heavy Fuel Oil	$91-93	-1
Naphtha	$151-153	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.00	+1.75
Silver (per troy oz)♣	526c	+2
Platinum (per troy oz)	$485.00	+6.85
Palladium (per troy oz)	$142.3	+0.3
Aluminium (free market)	$1715	+5
Copper (US Producer)	142⅝-144c	-½
Lead (US Producer)	40.5c	
Nickel (free market)	505c	
Tin (Kuala Lumpur market)	21.50r	-0.29
Tin (New York)	378.5c	+6.0
Zinc (US Prime Western)	60.25c	
Cattle (live weight)†	118.55p	+1.94*
Sheep (dead weight)†	142.39p	+6.56*
Pigs (live weight)†	105.68p	-3.69*
London daily sugar (raw)	$358.4y	+2.4
London daily sugar (white)	$433y	+5
Tate and Lyle export price	£336.5	-3.0
Barley (English feed)	£108.5x	
Maize (US No. 3 yellow)	£123	
Wheat (US Dark Northern)	£124	
Rubber (spot)♥	57.0p	-0.5
Rubber (Nov)♥	60.50p	-0.75
Rubber (Dec)♥	61.25p	
Rubber (KL RSS No 1 Oct)	236.5m	-0.5
Coconut oil (Philippines)§	$510v	
Palm Oil (Malaysian)§	$327.5w	-2.5
Copra (Philippines)§	$315	
Soyabeans (US)	£173	-5
Cotton "A" index	81.25c	-1.20
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	735	740	740 734
Dec	781	790	787 777
Mar	746	751	751 741
May	753	759	757 750
Jul	768	770	770 765
Sep	784	785	788 783
Dec	810	812	811 810

Turnover: 2998 (4847) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 22 898.02 (912.23) :10 day average for Sep 25 916.48 (918.88)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	753	758	755 744
Nov	765	774	772 753
Jan	777	789	778 770
Mar	793	804	796 790
May	812	820	811 808
Jul	827	838	827 827
Sep	845	855	840

Turnover: 2069 (3562) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 22: Comp. daily 67.56 (69.13). 15 day average 69.53 (69.78)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	323.80	320.20	326.80 320.00
Dec	318.00	317.20	318.00 316.00
Mar	316.20	312.40	319.00 312.60
May	310.80	307.40	313.60 308.00
Aug	303.60	301.00	306.00 300.80
Oct	290.00	290.20	291.60 290.00
White	**Close**	**Previous**	**High/Low**
Dec	408.00	404.00	410.30 404.00
Mar	399.50	393.00	401.00 398.00
May	397.00	390.00	396.50
Aug	395.50	387.50	394.50
Oct	383.00	376.00	

Turnover: Raw 9800 (6204) lots of 50 tonnes. White 1722 (1511).
Paris- White (FFr per tonne): Dec 2630, Mar 2595, May 2575, Aug 2563, Oct 2500, Dec 2460.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	17.47	17.60	17.50 17.18
Dec	17.43	17.53	17.43 17.18
Jan	17.28	17.43	17.28 17.17
Feb	17.00	-	17.00
Mar	16.87	-	16.97 16.95
IPE Index	17.57	17.69	

Turnover: 4814 (4654)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	168.75	168.75	167.00 165.25
Nov	165.75	168.75	165.75 163.75
Dec	164.50	165.00	164.50 163.00
Jan	162.75	164.00	162.75 161.50
Feb	159.50	161.00	159.25 159.00
Mar	154.00	156.00	
Apr	151.00	153.00	151.00
May	152.00	155.00	151.00
Jun	152.00	153.00	149.00

Turnover 7719 (9372) lots of 100 tonnes

TEA
There were 22,293 packages on offer, including 1,000 offshore, reports the Tea Brokers' Association. New season's Assam teas attracted strong competition with top quality sorts particularly Pekoe dusts dearer by up to 20p per kilo. Plainer varieties also realised improved levels but mediums showed some irregularity with quality. Africans also came to a strong market and were 5p - 15p dearer. Ceylons proved the strongest feature with prices again showing substantial advances. In the offshore auction Ceylon teas were well supported. Quotations: quality - 200p (195), medium - 150p (145), low medium - 135p (120).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,025 tonne
Cash	1700-3	1728-33	1716	1715-6		
3 months	1702-5	1722-5	1725/1690	1715-6	1695-700	32,317 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,375 tonne
Cash	1750-1	1830-2	1750/1745	1746-7		
3 months	1755-6	1830-1	1783/1732	1752-3	1755-6	69,678 lots
Lead (£ per tonne)						Ring turnover 6,975 tonne
Cash	460.5-1	465-6	461/460	461-1.5		
3 months	459.5-60	463-3.5	460/457	459-9.6	456-7	12,671 lots
Nickel ($ per tonne)						Ring turnover 1,110 tonne
Cash	10900-25	10900-50	10950/10925	10950-1100		
3 months	10525-50	10550-90	10600/10400	10575-600	10530-50	6,901 lots
Tin ($ per tonne)						Ring turnover 810 tonne
Cash	8000-20	8090-5		8030-40		
3 months	8080-100	8190-5	8180/8080	8120-30	8160-80	5,391 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,300 tonne
Cash	1665-70	1645-50	1681/1655	1661-5		
3 months	1645-50	1640-5	1655/1620	1635-40	1640-5	14,349 lots
Zinc ($ per tonne)						Ring turnover 3,850 tonne
Cash	1590-610	1585-95		1590-600		
3 months	1575-85	1580-5		1560-80	1575-85	4,939 lots

LME Closing £/$ rate:
SPOT: 1.6065 3 months: 1.5896 6 months: 1.5735 9 months: 1.5575

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	137.8	139.0	138.0 135.0
Feb	165.0	167.0	162.0
Apr	200.5	201.5	202.0 198.0
May	227.5	226.0	223.0 222.0

Turnover 425 (355) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	146.00	149.50	
Dec	142.00	146.00	142.00
Feb	144.00	146.80	

Turnover 9 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Sep	1417	1425	1420 1415
Oct	1465	1472	1470 1463
Jan	1541	1560	1545 1539
Apr	1580	1585	1580 1574
Jul	1389	1390	
BFI	1424	1425	

Turnover 198 (106)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	106.30	107.15	107.18 106.60
Jan	110.95	111.15	111.25 110.90
Mar	114.10	114.25	114.40 114.15
May	117.15	117.35	117.55 117.15
Jun	118.60	118.80	
Barley	**Close**	**Previous**	**High/Low**
Nov	103.25	103.45	103.25
Jan	107.50	107.50	107.70 107.40
Mar	110.40	110.50	110.50

Turnover: Wheat 237 (217), Barley 24 (44).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	133.0	135.5	133.0 132.0
Nov	136.0	138.0	135.0 135.0
Feb	125.5	128.0	
Apr	125.5	128.0	
Jun	122.5	123.0	

Turnover 30 (113) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	366¾-367¼	228-228½
Opening	367½-368	227¾-228¼
Morning fix	368.75	229.18
Afternoon fix	367.35	227.715
Day's high	369-369½	
Day's low	366¼-366¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	377¾-382¾	235-238
Britannia	377¾-382¾	235-238
US Eagle	377¾-382¾	235-238
Angel	378-381	233½-236¼
Krugerrand	366¾-369¾	228-230
New Sov.	86½-87½	53¾-54½
Old Sov.	86½-87½	53¾-54½
Noble Plat	490.80-496.80	305.05-309.9
Silver fix	**p/fine oz**	**US cts equiv**
Spot	330.10	531.50
3 months	341.35	543.20
6 months	353.05	555.55
12 months	375.40	579.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1600	120	115	6	22
1700	40	58	34	51
1800	13	23	97	135
Copper (Grade A)	**Calls**		**Puts**	
2700	168	151	50	117
2800	109	116	90	169
2900	66	80	146	231
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	44	77	32	50
800	22	54	00	77
850		35		108
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700		78		33
750	60	52	29	67
800	35	32	54	88
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	58	78	15	40
1750	28	52	35	63
1800	11	32	69	

US MARKETS

In the metals, gold rallied to a high of 375 basis December as the weekends economic meeting proved bearish for the U.S. dollar, reports Drexel Burnham Lambert. Platinum also advanced following the strong gains in the gold. Silver was higher in early traidng until profit taking pared gains later in the day. Copper prices fell as the higher LME and COMEX stocks weighed on the market. In the softs, sugar prices closed up 21 basis October on news of tender business. Coffee and cocoa were up slightly after lacklustre trading. The grains featured two-sided action for most of the day with prices closing nearly unchanged. The livestocks had lower prices in the belly futures due to profit taking and sell stops. Live hogs and cattle were mixed with local participation seen. Cotton prices rallied from commission house activity. The energy complex was firm following the recent OPEC talks.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	369.8	368.2	368.2	368.2
Oct	370.3	368.7	370.8	368.8
Nov	372.7	369.0	0	0
Dec	374.6	370.7	375.0	372.5
Feb	378.6	374.5	379.0	376.8
Apr	382.7	378.5	382.6	382.0
Jun	386.9	382.7	386.5	385.5
Aug	391.0	386.8	0	0
Oct	395.3	391.1	394.0	394.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	489.1	480.0	488.7	484.4
Nov	486.9	480.8	486.5	486.5
Jan	490.9	483.6	492.0	487.5
Apr	493.9	486.6	495.0	491.5
Jul	496.9	489.6	495.5	495.5
Oct	500.4	493.1	500.0	499.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	528.3	526.6	531.0	527.0
Oct	529.2	529.7	0	0
Nov	533.6	534.1	0	0
Dec	537.5	538.0	543.0	534.5
Jan	540.5	541.0	0	0
Mar	549.6	549.8	555.0	547.0
May	558.0	558.1	559.0	556.5
Jul	565.7	566.8	572.0	566.5
Sep	575.2	575.3	578.0	574.5
Dec	587.4	587.5	591.0	587.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 22	Sept 21	mnth ago	yr ago
1896.8	1887.5	1919.0	1861.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.64	129.67	133.22	133.22
Futures	130.24	130.64	134.51	134.51

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	133.50	136.20	134.90	133.50
Oct	125.80	128.65	127.00	127.00
Nov	124.30	127.30	0	0
Dec	122.80	125.40	124.40	122.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	19.39	19.26	19.48	19.00
Dec	19.21	19.12	19.30	18.86
Jan	19.10	18.99	19.14	18.76
Feb	18.95	18.88	18.97	18.61
Apr	18.72	18.67	18.72	18.46
Jul	18.50	18.50	18.50	18.49

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5745	5697	5755	5605
Nov	5780	5733	5805	5650
Dec	5810	5780	5830	5685
Jan	5750	5712	5765	5650
Feb	5620	5592	5620	5520
Mar	5350	5352	5360	5300
Apr	5153	5142	5170	5070
May	4960	4982	5000	4915

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1067	1054	1074	1061
Mar	1067	1067	1073	1063
May	1063	1070	1088	1079
Jul	1103	1089	1096	1098
Dec	1145	1137	1146	1146

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.20	80.65	82.28	80.60
Mar	83.64	82.70	84.50	82.50
May	85.90	84.90	86.00	84.20
Jul	88.00	86.86	88.25	86.50
Sep	89.75	90.00	90.65	90.25
Dec	93.00	92.63	92.50	92.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.82	14.61	14.86	14.65
Jan	13.70	13.28	14.00	13.30
Mar	14.21	14.07	14.33	14.17
May	13.95	13.84	14.08	13.93
Jul	13.76	13.67	13.82	13.70
Oct	13.07	13.18	13.25	13.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.80	71.66	74.00	71.95
Dec	73.10	72.55	74.55	73.02
Mar	73.90	73.40	75.35	73.90
May	74.75	74.50	76.25	74.75
Jul	75.66	74.60	76.00	75.80
Oct	70.05	69.40	70.40	70.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.00	136.30	138.00	136.00
Jan	135.00	133.20	135.00	133.50
Mar	134.60	132.70	134.75	132.75
May	133.75	132.20	133.00	133.00
Jul	133.30	132.05	0	0
Sep	132.60	131.55	0	0
Nov	132.60	131.55	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	572/4	574/2	576/0	569/4
Jan	583/6	585/6	586/6	580/0
Mar	597/2	596/4	598/4	592/4
May	606/2	605/2	607/2	602/0
Jul	611/2	610/0	612/4	606/0
Aug	606/0	605/4	610/0	605/0
Sep	591/0	585/0	591/0	588/0
Nov	580/4	579/4	581/0	578/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.16	19.13	19.25	18.99
Dec	19.61	19.62	19.74	19.43
Jan	19.87	19.88	19.96	19.70
Mar	20.28	20.25	20.39	20.15
May	20.58	20.60	20.70	20.55
Jul	20.97	21.02	21.06	20.90
Aug	20.97	21.00	20.95	21.00
Sep	20.95	21.00	20.90	21.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	187.1	187.7	187.5	185.8
Dec	182.4	183.1	183.0	181.1
Jan	181.1	181.6	182.0	180.1
Mar	180.1	180.3	180.8	179.1
May	179.2	179.5	179.2	179.0
Jul	177.5	177.7	178.0	176.5
Aug	176.5	176.7	176.5	175.5
Sep	173.6	173.2	174.0	175.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	230/4	230/0	230/6	228/4
Mar	238/0	237/0	238/0	235/0
May	243/0	242/6	243/2	240/6
Jul	245/6	245/2	245/6	243/6
Sep	239/4	239/6	240/0	239/0
Dec	237/2	236/0	237/2	236/0
Mar	244/6	243/0	0	244/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	390/2	389/2	391/0	388/0
Mar	389/6	387/6	390/2	387/0
May	372/2	371/2	372/4	370/2
Jul	346/0	344/2	346/4	349/0
Sep	350/6	349/0	351/0	349/4
Dec	359/0	357/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.07	71.42	71.47	70.95
Dec	73.32	73.40	73.87	73.30
Feb	73.37	73.15	73.70	73.15
Apr	73.87	73.70	74.10	73.72
Jun	71.47	71.40	71.65	71.30
Aug	70.02	69.95	70.10	70.02

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.15	42.80	43.35	42.95
Dec	44.22	44.15	44.37	43.96
Feb	45.10	44.50	45.30	44.82
Apr	43.65	42.50	43.00	42.45
Jun	47.30	47.25	47.35	47.00
Jul	47.60	47.50	47.60	47.30
Aug	46.00	45.95	46.15	46.00
Oct	43.00	42.97	43.15	43.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.20	49.20	49.00	47.70
Mar	49.22	49.22	49.65	47.90
May	49.22	50.30	50.50	48.85
Jul	49.30	50.30	50.70	49.10
Aug	48.07	48.80	49.30	47.80

LONDON STOCK EXCHANGE

Dollar stocks lead blue chips lower

THE FALL in the US dollar as central banks acted on the G-7 ministers' announcement that they would co-operate to check the rise in the US currency brought a general setback in dollar-earning shares in London yesterday. The relative firmness of sterling against the dollar was largely overlooked in an equity market looking increasingly nervous ahead of today's announcement of the UK trade figures for August.

In terms of the loss in market indices, the damage was done almost before equity trading commenced yesterday morning. The Footsie Index, 11.1 off at the first calculation, moved nervously around its

Account Dealing Dates

First Dealings:	Sep 4	Sep 18	Oct 2
Option Declarations:	Sep 14	Sep 28	Oct 12
Last Dealings:	Sep 15	Sep 29	Oct 13
Account Day:	Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier

opening level for most of the morning. An attempt to rally was soon unshipped when Wall Street came in with an early fall of 12 points, and London slipped away again to close very near the day's lows which had been plumbed first thing in the morning.

The FT-SE Index showed a loss on the day of 10.6 points at 2,359.6. Some market strategists remained nervous, pointing out that a downwards correction, perhaps of as much as 100 Footsie points, was still a possibility.

The true plight of the equity market was disclosed in a painfully low turnover figure of a mere 280.5m shares, the lowest daily total this year and far below the level needed for a viable market.

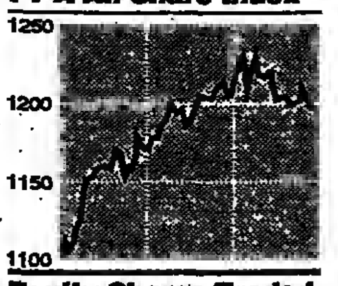
After a very brief recovery at the end of last month, equity turnover has returned to levels which cause general concern over the outlook for many trading firms. Yesterday's low figure prompted a renewal of market tales that more than one leading securities firm was on the verge of withdrawing from the marketplace.

Today's news on the UK trade figures could prove an important test of confidence for a market which has again grown nervous over the outlook for domestic interest rates. Continued action by central banks to curb the US dollar can be expected to help sterling, but the stock market paid more heed yesterday morning to strong hints that the UK building societies are under increasing pressure to again raise their home loan rates.

In particular, building societies are believed to be anxious that the August deficit on UK current account might exceed City forecasts of around £1.4bn; any deficit number above £1.6bn, compared with the July deficit of £2.1bn, would be seen as a final blow to hopes of a cut in bank base rates this autumn.

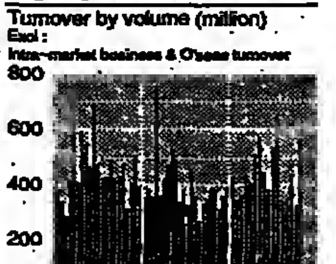
Substantial falls in dollar-earning or US-influenced stocks, including Glaxo, ICI and Reuters, left the London market looking thoroughly nervous ahead of the trade numbers. However, analysts commented that the G-7 policy towards the US dollar is likely to prove the more significant in the longer term.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



coal interests, with Minorco said to be favourite to buy them for anything from $500m to $700m.

Other oils suffered from the lack of interest. Clyde were marginally easier at 155½p, as were Enterprise, 594p and LASMO, 5626p, despite bullish notes on all three companies issued by Mr Chris Buckley, at Goldman Sachs, the US investment house. Commencing Goldman's coverage of the "E & P" stocks Mr Buckley says the three companies "the largest independent producers in the UK, have highly attractive fundamental characteristics."

The clearing banks did little more than drift easier — Midland and NatWest slipped 4 apiece to 374p and 340p while Abbey National held at 154p in front of today's interim figures.

Dealers in the composite insurance issues were relieved at the downgrading of Hurricane Hugo, and composite shares were only marginally easier after a day of thin trading in the sector. Commercial Union lost 6 to 443p, still depressed by recent sell recommendations. Royal Insurance dipped 4 to 455p.

The weak dollar caused a general decline in the insurance broking area.

Speculation about a possible bid for Lucas from a German car manufacturer, sent the company's shares rising.

Lucas shares closed at at 684p, a gain on the day of 4, helped by bullish views from BZW and Warburg. That positive view was not shared by all analysts. James Capel said: "We don't think the growth will come through as quickly as others think."

Last week's glittering performance of Jaguar faded as the shares followed no particular trend. They rose and fell before closing at 576p, down 5 on the day on a turnover of 4.6m shares. The traded options market saw contracts exchanged for the equivalent of more than 1m shares. The possibility that Jaguar's was discussing a friendly takeover of the company, in a deal that would not require shareholder approval, may also have contributed to the share price fall. James Capel said: "The market would prefer a straight bid battle that would push the share price up, rather than an agreed deal."

The international stocks showed a lengthy list of falls as the equity market reacted to the fall in the dollar which followed the statement that the G-7 ministers intend to curb the growth of the US currency. However, turnover in the blue chips was very thin, and the big investment funds were clearly standing in the sidelines waiting to see how the fight to hold the dollar down progresses.

ICI fell 13 to 1278p but traded a mere 452,000 shares, while Reuters, 8 off at 940p, saw only 305,000 shares turned over. The picture was much the same throughout the list, which featured a fall of 20 to 1519p in Glaxo as last week's trading figures faded into memory.

Also in the pharmaceutical sector, Wellcome dipped 2 to 663p, a fairly steady performance in the light of last week's suggestions that a French rival for Retrovir, Wellcome's anti-Aids drug, may be on the way to acceptance in the US.

BAT Industries shed 2 to 816p as takeover passions continued to cool — Hanson yesterday denied that it is considering counterbidding against the £3.5bn offer from the Hoylake consortium.

Caradon, the building products group held the limelight in an otherwise quiet building sector with speculators pushing the stock higher in expectation that the long-awaited merger news is imminent. Caradon has been involved in talks since the end of last month. Stories in the market continued to suggest that MB Group or Marley were favourites to announce a tie-up with Caradon with Spring Ram said to be one of the outsiders.

Stanley Miller dropped 24 to 159p after the interim figures but Tilbury Contracting jumped from an initially depressed 595p to close a net 10 higher at 618p after Lilley revealed it had increased its stake in Tilbury to 29.99 per cent; last week Lilley's bid attempt on Tilbury narrowly failed with acceptances reaching48.4 per cent.

In chemicals, the news that Brent Chemicals had produced disappointing interim results, with sales increasing by just 8 per cent, sent shares in the company tumbling, to end the day at 140p, down 4.

Shares in Carbo, the Manchester based manufacturer of abrasives, also fell by 5, ending the day at 225p. Two large trades in Guinness went through the Seaq ticker early in the session, encouraging dealers to assume that a securities house had taken a long position. They marked the shares down 6 to 585p as total turnover expanded to 4.7m shares.

News that Bond Corporation would not meet a September 30 deadline for procuring a profit/loss statement hurt Allied Lyons, dealers said. Mr Alan Bond, the Australian entrepreneur, has a 5 per cent stake in Allied, which closed down 5 at 526p in thin trade.

Press speculation that a director was resigning hurt Grand Metropolitan, 7 off at 598p.

Goldberg slipped 6 to 148p on fears that Black's Leisure's offer for the company may not be enough to win control. "If Black's don't get them, what will they do?" asked one dealer rhetorically. Blacks ended ¼ down at 8¾p.

Tesco put up a good show in an otherwise lacklustre foods sector. County NatWest WoodMac reiterating its buy stance ahead of tomorrow's interim figures. County is forecasting a figure of £127½m, and the shares firmed slightly to 211½p.

The weakness of the dollar upset Cable & Wireless (C & W), which ran back 4 to 568p on turnover of 2m shares; but dealers were taking the view that the weakness in the stock would be reversed on news that the ADS listing is imminent, and could possibly take place as soon as tomorrow. C & W is placing 8.5m ADS's, the equivalent of 24m C & W shares. Among other top electronics issues Racal Electronic moved up 4 to 230p on 2.5m shares, still boosted by "switching" operations.

News that Singer and Friedlander, the merchant bank, has built an 8.6 per cent stake in Apricot Computer and is in the process of building a "consolidatable stake," drove the Apricot share price up 6 to 76p.

MEMEC were among the poorest performers yesterday, the shares retreating 28 to 189p after revealing interim profits of £3.39m against last time's £4.1m, against expectations which were around the £4.5m-mark.

DRG ran 7 better to 595p as marketmakers continued toanticipate an offer for the company from Mr Roland Franklin's Bermuda-based Pembridge Investments. Pembridge said on September 11 that it was considering making a cash offer below DRG's then market price of 604p.

The return, after several week's absence, of a buyer of Bunzl stock, pushed the shares 5 better to 142p. Dealers are expecting an announcement tomorrow of a company reorganisation, possibly including disposals of non-core businesses. Such a move was foreshadowed in a statement with Bunzl's results earlier in the month, although a date was not set at the time. Theories about the value of the disposals have homed in on the £150m to £200m range.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

Turbulent session for BA

British Airways (BA) recovered from an early fall helped by late reports that its attempt to take a 15 per cent stake in United Airlines of the US could yet hit further difficulties.

Mr Samuel Skinner, the US Transportation Secretary, is seeking to cut KLM Royal Dutch Airlines' investment in NorthWest, another US carrier. Dealers thoughts quickly turned to the possibility that similar pressure might be placed on BA. The price recovery indicated the market took the view that the risks in the deal outweighed the potential gains.

Mr Ian White at County NatWest WoodMac argued against this view: "Any leveraged buyout is risky, in this case it is well calculated risk."

The shares had touched a low of 23p ahead on negative weekend press comment and after Friday's gain inspired by the announcement of a pension fund holiday. The shares ended 2 off on the day at 216p.

BA is today expected to launch an unusual hybrid convertible preference share to raise cash for the UAL deal.

Telecom active

Another bout of heavy and sustained buying interest in British Telecom stock, much of it said to have come from the US, drove the BT share price up to a session's high of 285p, before a closing level of 284p, up 6 on the day; turnover in BT came out at 9.4m, well up on recent levels in the stock.

As well as the persistent US buying of the shares, there were many stories in the market concerning the strong performance of BT. There was talk of an announcement from AT & T, the US telecommunications group, first thing today followed by a Press conference at 9.30, and rumours of possible joint venture deals concerning AT & T with British Telecom, GEC, and Italy's Telefonica.

Dealers and analysts said there was no hard and fast development on BT other than that, along with GEC, the shares represented one of the best defensive plays in the market. "All the defensive stocks are being given a run especially with the market looking very nervous ahead of the trade figures," said one dealer. He also said that marketmakers were short of BT. Another trader took the view that the AT & T announcement could involve CT2, the cordless telephone system, or AT & T taking a stake in Istel, the ex-Rover information technology subsidiary, and that the rise in BT and the AT & T meeting were no more than a coincidence.

The oil and gas sector shared in the overall market misery, with turnover down to minimal levels, but there were a a handful of interesting developments in the sector, according to traders.

British Gas, good performers during recent days after a couple of bullish notes on the stock, issued by brokers Hoare Govett and Citicorp Scrimgeour Vickers hardened afresh to 211p on turnover of 6.2m; in their "Energy monthly" for September the Hoare energy team reaffirms its cautious stance of the oils, but highlights two exceptions to this view — British Gas and the specialist oils. On the specialist oils, Burmah and Calor, Hoare says they have "niche, high margin, market positions, ensuring good growth prospects and potential attractions to predators." On Gas, Hoare re-emphasises its view that "there is a store of fundamental value in Gas shares, which offer better growth prospects and should he on a significantly lower yield than water, events in the short term, including the interim dividend declaration (due on November 16) investment seminars as well as the water privatisation will help highlight that fundamental value."

There was also a rumour circulating in the market that British Gas was about to initiate a programme of buying in its own shares.

The "big two" oil stocks, on the other hand, ran in to persistent selling pressure with BP down 4½ at 308½p on 3.9m — well below usual levels of activity, and Shell, 435½p, down the same amount on 2.9m. A buzz went round the oil market late in the day when it became known that BP intends holding a breakfast meeting on Thursday morning with oil company specialists. Talk in the market suggested the possibility that BP may be about to reveal the sale of its

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (48).

BRITISH FUNDS (1) Exch. 10¼pc 89, BANKS (1) Deutsche Bk, BUILDINGS (2) Caradon, Lafarge Coppee, Quilgotti, CHEMICALS (1) Engleherd, STORES (2) Heritage, Sherwood, ELECTRICALS (1) MTL Inst., ENGINEERING (3) Atlas Conv. Eq., Haden MacLellan, Vosper Thornycroft, INDUSTRIALS (6) Baynes (Charles), CMB Pack., Do. new, Carbo, Parkfield, RPS, INSURANCE (1) Utd Friendly B, PAPERS (1) Norton Opax, PROPERTY (1) Frogmore Est., TEXTILES (1) Early's of Witney, TRANSPORT (1) Runciman (W), TRUSTS (17) Abtrust New Dawn Warrants, Baillie Gifford Sh. Nip., Baltica, Drayton Far East, EFM Dragon Tst., Fledgeling Japan, Do. Warrants, GT Japan, Law Debenture, Martin Currie Pac., Monks Invest, Murray Smllr Mkts., Do. B, Precious Metals Tst., St. Andrew Tst., Stratton Inv., TR Pacific Inv Tst, OILS (1) Cons Brinco, OVERSEAS TRADERS (2) Chillington, REA, PLANTATIONS (2) Lawrie, Williamson, MINES (4) Driefontein, Hartebeest, Homestake Mining, Kloof Gold.

NEW LOWS (48).

AMERICANS (1) Morris (Philip), CANADIANS (1) Galactic Res., BANKS (1) Anglo 9½pc 90, BUILDINGS (3) Miller (Stan), Venture Plant, Wiggins, CHEMICALS (1) Gaynor, STORES (3) Ashley (Laura), Reject Shop, Usher (Frank), ELECTRICALS (2) Elec. Data Procg., Memec, HOTELS (1) Harmony Leisure, INDUSTRIALS (11) Assoc. Energy, Business Tech., Community Hosp., Dauphin, Delaney, Hanson Warrants, Ibex, NMC, Office & Elect., Reliant, Sheldon Jones, LEISURE (1) BCE, MOTORS (4) BTS, Cook (D.C.), Davenport Vernon, ERF, PAPERS (4) Enso-Gutzeit, Filofax, Parkway, VPI, PROPERTY (4) New Cavendish, Regentcrest, Sheafbank, UK Land, TEXTILES (1) Beckman A, TOBACCOS (1) BAT Inds. 12¼pc Ln, TRUSTS (2) Fleming High Inc. Inv., OPG, OILS (1) Enter. Oil 10⅜pc 2013, MINES (3) Jason Mining, McFinley Rd Lake, Metana Minerals, THIRD MARKET (1) UPL.

FINANCIAL TIMES STOCK INDICES

	Sep 25	Sep 22	Sep 21	Sep 20	Sep 19	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.82	85.80	85.78	85.88	85.89	87.30	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.09	96.10	96.09	96.16	96.20	96.10	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1937.3	1949.5	1962.9	1954.6	1948.3	1446.5	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	209.2	210.7	206.9	203.5	203.6	164.0	210.7 (22/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2359.6	2370.2	2380.9	2369.8	2361.5	1792.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.20	4.17	4.15	4.17	4.18	4.78				
Earning Yld %(full)	10.06	9.99	9.95	9.99	10.01	12.05				
P/E Ratio(Net)(☆)	11.97	12.06	12.11	12.07	12.04	10.05				
SEAQ Bargains(5pm)	21,438	22,871	22,879	24,509	23,053	19,578				
Equity Turnover(£m)†	-	1510.17	873.20	1075.86	907.07	735.66				
Equity Bargains†	-	26,313	22,959	24,985	23,902	20,913				
Shares Traded (ml)†	-	551.9	319.0	441.6	347.3	271.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55 Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.86

Ordinary Share Index, Hourly changes — Day's High 1943.5 — Day's Low 1934.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1940.0	1943.5	1940.4	1940.1	1942.2	1941.0	1937.1	1934.7

FT-SE, Hourly changes — Day's High 2365.6 — Day's Low 2358.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2359.1	2364.7	2362.3	2363.3	2365.5	2364.9	2360.0	2358.5

S.E. ACTIVITY

Indices	Sep 22	Sep 21
Gilt Edged Bargains	67.5	77.2
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 – Day average		
Gilt Edged Bargains	72.4	75.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,600	192	-3	Courtaulds	238	385	-2	LASMO	520	526	-4	Saatchi & Saatchi	381	304	-7
Abbey National	3,000	154		Dalgety	294	412	-1	Lonrho	547	278	-2	Sainsbury	244	289	
Allied-Lyons	646	526	-5	Dixons	258	145		Lucas	759	684	+4	Scott & Newcastle	157	373	-1
Amstrad	117	73		Eng. China Clays	1,100	476	+1	MB Group	841	218	-2	Sears	3,300	120	
Argyll Group	646	242		Enterprise Oil	115	594	-2	MEPC	179	568	-1	Sedgwick	1,100	256	-2
Ass. Brit. Foods	13	406		Fisons	194	341	-2	Marks & Spencer	1,100	284	-2	Shell Transport	2,900	435½	-4½
BAA	1,100	343	-1	General Accident	677	1085	+1	Maxwell Comm.	1,200	287		Siebe	135	540	-4
BAT Inds.	487	816	-2	General Elect.	2,200	248	+2	Mecca Leisure	725	129½	+½	Slough Ests	495	355	-4
BET	147	305	-3	Glaxo	1,000	1519	-20	Midland Bank	714	374	-4	Smith & Nephew	1,500	145¼	-1
BICC	598	535	-5	Globe Inv	337	192	-1½	Nat. West. Bank	327	340	-4	SmithKline Beecham	2,800	577	-5
BOC	409	522	-3	Glynwed Int.	479	308	-1	Next	2,800	129	+2	Smiths Industries	6	312½	-½
BPB Inds.	929	262	-5	Granada	262	348	-3	Northern Foods	192	341	-3	Standard Chartered	57	548	+1
BTR	511	454		Grand Met.	732	598	-7	Pearl	29	508	-5	Storehouse	558	145	-2
Barclays	749	541	-1	GUS A	140	1160	-6	Pearson	156	753	+1	Sun Alliance	558	316	
Bass	563	1054	-6	GRE	710	224	-3	P & O	583	694	-3	T&N	218	222	-1
Blue Circle	415	251	-1	GKN	435	449	-4	Pilkington	1,100	245	-1	TI Group	238	474	-4
Boots	1,900	286	-4	Guinness	4,700	585	-6	Polly Peck Intl.	396	387	-6	TSB	2,100	119	-½
Brit. & Comm.	1,300	158	+4	Hammerson "A"	151	816	+15	Prudential	1,700	201		Tarmac	631	298	-2
Brit. Aerospace	1,100	637	+5	Hanson	2,800	229	-4	RHM	358	463	-3	Tate & Lyle	63	273	-2
British Airways	1,700	216	-2	Harrisons & Cros.	1,400	169		RMC	65	732	-5	Taylor Woodrow	390	325	
British Gas	6,200	211	+½	Hawker Siddeley	543	716	-4	RTZ	1,600	567	-8	Tesco	316	211½	+½
British Land	10	367	-1	Hillsdown Hldgs	1,000	314	+1	Racal	2,500	230	+4	THORN EMI	193	831	-5
BP	3,900	308½	-4½	IMI	410	251	+2	Rank Org.	193	958	+4	Trafalgar House	857	388	-2
British Steel	6,300	138½	-2½	Imp. Chem.	452	1278	-13	Reckitt & Colman	87	1216	-8	Trusthouse Forte	323	348	-1
British Telecom	9,400	284	+6	Inchcape	765	289	-3	Redland	308	565	-5	Ultramar	281	337	-1½
Burmah Oil	167	626	-3	Jaguar	4,550	576	-5	Reed International	479	472	+1	Unilever	1,060	647	-5
Burton	881	243	-2	Kingfisher	63	345		Reuters	305	940	-8	United Biscuits	663	392	+2
Cable & Wireless	2,000	568	-4	Ladbroke	454	337	-4	Rolls Royce	599	187	-1	Utd. Newspapers	925	515	-6
Cadbury Schweppes	571	390	-2	Land Securities	190	570		Rothmans	6	658	-3	Wellcome	560	663	-2
Carlton Comms.	262	934	+6	Laporte	832	516	+1	Royal Bk of Scotland	182	184	+1	Whitbread "A"	139	325	-4
Commercial Union	795	443	-6	Legal & General	236	352	-1	Royal Insurance	614	455	-4	Williams Hldgs.	296	266	+1
Cookson	695	331	-2	Lloyds Bank	942	489	-2	STC	803	344	-1	Wimpey	269	277	-2

APPOINTMENTS

Directors at Nikko Bank (UK)

■ NIKKO BANK (UK) is making the following appointments. Mr Terry White (general manager,treasury), Mr Akira Hirano (general manager,credit and commercial banking), Mr Hiroshi Hayashi (general manager and company secretary), will be made associate directors on October 1.

Mr Seiichi Nagao (general manager, international finance division, Nikko Securities Co, Tokyo) will also be joining the bank shortly as a director.

■ Mr Patrice Coquard and Mr Richard Landeryou have been appointed to the board of UFB ASSET FINANCE, the UK subsidiary of Compagnie Bancaire Group.

■ Mr Andy MacGadie and Mr Bill Purkis have been appointed to the board of SGB. Mr Macgadie will have specific responsibility within the hire and sales division for access and building products. Mr Purkis will have specific responsibility for the powered access division.

■ Mr Reginald Eccles, deputy managing director, will succeed Mr Pat Gunning as managing director at ORD MINNETT, London, the UK arm of the Ord Minnett Group of Australia, with effect from October 1. Mr Gunning is retiring on September 30. Mr Eccles will also be responsible for the development of the company's global mining research service.

The CARROLL GROUP OF COMPANIES has appointed Mr Jeff Zorn (above) to the board of its overseas corporate finance division. Mr Zorn, an ex US marine and Vietnam veteran, was based at the White House during the Carter administration.

■ ROCKWOOD HOLDINGS, the freight and distribution group, has made three appointments at its west-London based head office. Mr Roger Miller, previously financial director of Rockwood International Freight, has been appointed company secretary and director of administration of Rockwood Holdings. He will be responsible for administration thoughout the group.

Mr John Armstrong has been made assistant company secretary of Rockwood Holdings and will assist Mr Miller, initially focussing on the group's property interests. He remains company secretary of Rockwood International Freight.

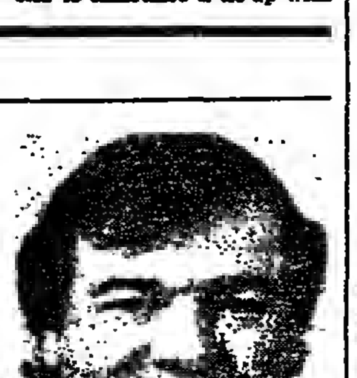
Mr Chris Thomas, formerly managing director of Gordon & Gotch Holdings, has been appointed director of corporate development of Rockwood Holdings. His responsibilities include all matters relating to acquisitions and disposals.

■ Mr John Kelly, group telecommunications director for Grand Metropolitan, will join TELECOMMUNICATIONS MANAGEMENT in October as managing director.

■ Mr Allan Frazer has been appointed European director of the NEW ZEALAND MEAT PRODUCERS' BOARD. He will be based in London. Mr Neil Taylor has been recruited as the board's first director of trade policy — Europe and has been posted to Brussels.

Mr Frazer was deputy chief executive in Wellington and Mr Taylor was director of the New Zealand Meat and Wool Board's economic service.

Mr Fraser replaces Mr Don Hopwood who has been appointed Middle East director based in Bahrain.



CITYGROVE has appointed Mr Ernest M. Sheavills (above) to the newly created position of group managing director. He will join the company on December 1 from Ladbroke Group where he is managing director of a property division.

■ Mr Peter Baines has been named as managing director of REGENCY LIFE GROUP, the UK arm of Transamerica Life Companies, the US based life insurance company. He was general manager of Royal Life Fund Management, the unit trust subsidiary of Royal Insurance.

■ Mr Graham French has been appointed European sales and marketing director of DEMAX SOFTWARE. He was sales and marketing director of Rolfe and Nolan Computer Systems.

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD					01-405 8331	
Conrtbl & Equity	5	64.57	67.57	71.88	-0.08	0.60
European	5	77.95	78.24	83.23	+0.09	0.09
Far Eastern	5	64.48	67.38	71.68	-0.95	0.60
Growth Inc	5	87.48	91.12xd	96.95	-0.06	1.40
Growth Acc	5	87.76	91.19xd	97.01	-0.05	1.40
Income Inc	5	84.81	87.14xd	92.71	-0.24	4.99
Income Acc	5	84.91	87.25xd	92.82	-0.23	4.99
Property Share	5	55.20	55.29	58.94	+0.18	1.00
Smaller Co's	6	57.20	57.20	60.97	-0.32	1.56
Nth American	5	67.69	67.69	72.39	-1.53	1.52
International	5	50.68	50.68	54.20	-0.41	2.38
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY					01-588 0592	
Intl Growth	5	114.50	114.50	120.93	—	5.86
UK Growth	5	95.00	95.00	100.00	—	3.00
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield					0484 602250	
Yorkshire General	5¼	64.85	67.23	71.32	-0.02	2.93
YUTM UK Eqty Inc Tst	5¼	60.01	62.23xd	66.20	-0.24	5.77
YUTM Intl Grth Tst	5¼	55.28	55.28	58.99	+0.69	0.75

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	903.8	—	—
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Inv Fund Aug 31		593.45	—	4.61
Fxd Int Sec Aug 31		142.85	—	10.08
Deposit Aug 31		100.00	—	13.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS			01-280 2800	
C'inco Inc Sept 20	163.3	167.3xd	-1.00	9.90
C'inco Acc Sept 20	686.5	703.4xd	-3.90	9.90
C'share Inc Sept 20	163.5	169.4xd	-1.10	4.08
C'share Acc Sept 20	181.0	187.7xd	-1.40	4.00

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	137.4	144.6	-2.5	—
UK Metro	125.5	132.1	-0.5	—
N Am Pn Fd Acc(z)	269.2	283.4	-3.8	—
Pac Basin Fd Acc(z)	196.6	206.9	-3.9	—
Property(z)	613.1	645.3	+0.3	—
Mlple Inv Pens Acc(z)	1534.0	1614.7	-15.4	—
Broker Funds				
Pref. Pen. Fd	100.8	106.1	-0.9	—
YRA Strategy	126.7	133.3	-0.4	—
YRA Performance	108.9	114.6	-0.4	—
Langholm Dollar (SE)	144.8	152.3	—	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL			0793 514514	
Fixed Int. Dep. Acc	266.6	280.7	+0.2	—
Equity Acc	913.8	961.9	+0.5	—
Property Acc	511.2	538.2	-0.1	—
Far East Acc	217.7	229.2	+0.4	—
European Acc	25.4	26.8	+0.1	—
Managed Acc	714.4	752.0	+0.1	—
Managed Cap	403.3	424.6	+0.1	—
O'seas Earnings Acc	615.3	647.7	+0.1	—
Gilt Edged Acc	317.0	333.7	+0.2	—
American Equity Acc	479.0	504.3	-6.8	—
American Man Acc	220.7	232.4	-3.2	—
American Prop Acc	147.1	154.9	-0.3	—
Pen.F.I.Dep.Cap	294.6	310.2	+0.2	—
Pen.F.I.Dep.Acc	509.8	536.7	+0.5	—
Pen. Prop. Cap	597.5	629.0	-0.2	—
Pen. Prop. Acc	1144.2	1204.5	-0.2	—
Pen. Man. Cap	871.6	917.5	-4.1	—
Pen. Man. Acc	1666.3	1756.2	-7.2	—
Pen.Gilt Edg. Cap	316.8	333.5	+0.2	—
Pen. Gilt Edg. Acc	495.4	521.5	+0.4	—
Pen. Eq. Cap	1444.1	1520.2	-7.5	—
Pen. Eq. Acc	2093.1	2203.3	-10.4	—
Pen. Am. Eq Cap	159.5	167.9	-2.0	—
Pen. Am. Eq Acc	196.9	207.3	-0.3	—
Pen. Far East Cap	255.7	264.2	-2.2	—
Pen. Far East Acc	314.3	330.9	-2.5	—
Pen. Euro Cap	30.9	32.6	+0.1	—
Pen. Euro Acc	34.0	35.8	+0.1	—
Pen. B.S. Acc	560.7	588.8	+0.7	—

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc—Contd.

MGM Assurance(z)

NEL Britannia Assce Co Ltd—Contd.

City of Westminster Assurance Co

Eagle Star Insurance Co Ltd

Gresham Unit Assurance Ltd

The LAS Group

Manchester Unity Assurance

NEL Pensions Ltd

Clerical Medical/Fidelity International

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Lancashire & Yorkshire Assce Society

ManuLife Group PLC

NM Life Assurance Ltd

Equitable Life Assurance Society

Laurentian Life plc

Merchant Investors Assurance Co Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Equity & Law

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Legal & General (Unit Assur) Ltd

National Financial Management Corp PLC

Colonial Mutual Group

FS Assurance Limited

National Mutual Life

Family Assurance Society

Legal & General (Unit Pensions) Ltd

Hearts of Oak Insurance Group

Cornhill Insurance Co of America

National Provident Institution

Commercial Union Group

Friends' Provident

Henderson Administration(z)

Liberty Life Assurance Co Ltd

Norwich Union Asset Management Ltd

Hill Samuel Life Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

GT Management Ltd

Cornhill Insurance PLC

Norwich Union Life Insurance Soc.

General Accident Linked Life Assce(z)

Criterion Assurance Group

London & Manchester Group

Crown Financial Management Ltd

Pearl Assurance (Unit Funds) Ltd

M & G Life and M & G Pensions

Mercury Life Assurance Co Ltd

General Portfolio Life Insce Plc

Phoenix Assurance Co Ltd

Homeowners Friendly Society

Midland Life Limited

Ideal Insurance Co Ltd

Municipal Life Assurance Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

NEL Britannia Assce Co Ltd

Pioneer Mutual Insurance Co Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbey Life Assurance Co Ltd

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd (a)

Citicorp British National

Crusader Insurance Plc

Albany Life Assurance Co Ltd

Allied Management Ltd

Other UK Unit Trusts headings: Charities Official Invest. Fund‡; Chartwell Fund Mngrs PLC; Fidelity Investment Services Ltd; Robert Fleming Asset Mngmt Ltd; Foreign & Colonial Pens Mngt Ltd; Henderson Unit Trust Management Ltd; Lloyd Brothers & Co. Ltd; Local Authorities Mutual Invest. Tst.; M & G Securities Ltd; MIM Ltd; Morgan Grenfell Inv. Mngmt Ltd; Murray Johnstone UT Mngmt; New Court Property Fund Managers; Phillips & Drew Fund Managers Ltd; J. Rothschild Fund Managers Ltd; Stewart Ivory & Co Ltd; Thornton Unit Managers Ltd

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	129 0	136 0	+1.0	–
Building Soc. Fd	174.0	184.0	.....	–
Balanced	294.0	310 0	.....	–
European	193.0	204.0	–1.0	–
GT Managed	192 0	203 0	–1 0	–
Gartmore Mngd	128.0	135.0	–1.0	–
German	138.0	146 0	.....	–
Gilt	182.0	192.0	–1.0	–
Global	50 0	53 0	.....	–
High Inc	121 0	128 0	.....	–
International Equity	206 0	217 0	.....	–
Japan	266.8	280.0	.....	–
Managed	64.0	68.0	.....	–
Property	292.0	308.0	.....	–
R W Imperial Gold	155.0	164 0	.....	–
UK Equity	367.0	387.0	.....	–
Pension Funds				
American	152.0	160 0	.....	–
Building Soc Fd	177.0	187 0	.....	–
Balanced	227.0	239 0	.....	–
European	193 0	204.0	.....	–
German	122.0	129 0	.....	–
Gilt	159.0	168 0	.....	–
International Equity	148 0	156 0	.....	–
Japan	145.0	153.0	.....	–
Managed	68 0	72 0	.....	–
Property	224 0	236.0	.....	–
UK Equity	337 0	355 0	–1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	97 48	103 00	–0 36	–
Pensions Cash Fund	80.10	84.32	+0.09	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	628 0	661.0	–0.5	–
Adventurous Mngd.	136 5	143 9	–0.5	–
Secure Mngd	113 3	119.4	+0 1	–
Cash Fd	238.3	251.21	.....	–
Property Fund	294 8	313 7	.....	–

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

	Init Charge	Cancel Price	Bid Price	Offer Price	+ or -	Yield Gr's
Rothschild Asset Management—Contd.						
OCCFL Ptas		[illegible]	2047 68		+0.72	12.48
OCCFL SKr		[illegible]	104.07		+0 03	10.30
OCCFL SwFr		[illegible]	30.742		[illegible]	6.11
OCCFL U.S.$		[illegible]	15.915		[illegible]	7.78
OCCFL Yen		[illegible]	9554.41		+0.44	4.44
OCCFL Man £	3	[illegible]	10.704	11.036	[illegible]	11.61
Daily Dealings						
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd						
PO Box 246, St Peter Port, Guernsey 0481 23021						
Intl Capital Fd	5	$51.72	51.72	54.10	(z)	–

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Intl Assurance (Bermuda) Ltd				
Exchange rate at Valuation Day US$1.5730				
Commodity ($)	$8.140	8.570	.....	–
Dollar Deposit ($)	$2.295	2.420	.....	–
Eurogrowth ($)	$1.040	1.095	.....	–
European Equity (£)	£299.4	315.2	.....	–
Global Managed ($)	$1.310	1.380	.....	–
Gold ($)	$1.020	1.075	.....	–
Goldmining ($)	$0.505	0.535	.....	–
Internat'l Equity ($)	$11.775	12.395	.....	–
Inter Fixed Int'st ($)	$7.875	8.290	.....	–
International Mngd ($)	$8.495	8.945	.....	–
N. American Equity ($)	$2.040	2.150	.....	–
[illegible]	$1.500	1.580	.....	–

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35⅛	27⅞	Ford Motor $1	31⅞xd	–⅛	$3.[illegible]	–	5.9
37¾	24¼	Gen. Elect. 63c	34⅛	–⅜	$1.[illegible]	–	3.0
579p	460p	♦General Host Corp $1	512p	–3	[illegible]	–	3.7
39⅛	18¼	Gillette $1	28⅞	–⅛	[illegible]	–	2.2
987p	601p	Gt American Bank $1	800p	–15	[illegible]	–	1.6
23¾	16⅞	Greyhound $1½	21½	–⅝	$1.[illegible]	–	3.9
14½	847p	Hasbro Inc 50c	13⅜	–⅛	[illegible]	–	0.8
57½	32⅞	Honeywell $1½	51⅛xd	–1⅛	$2.[illegible]	–	2.6
22	15⅛	Houston Inds $	21	–⅛	$2.[illegible]	–	8.9
76⅞	63⅞	IBM Corpn $1¼	72¼xd	–1¼	$4.[illegible]	–	4.2
60p	45p	♦Image Storage/R.Svs.Ic	55p	....		–	–
32⅛	18⅜	Ingersoll-Rand $2	28⅞xd	–⅝	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	30⅛xd	–½	$1.80	–	3.8
22⅝	15⅛	Lone Star Inds $1	19⅞xd	–⅞	$1.90	–	6.2
27⅞	17½	Louisiana Land 15c	25⅞xd	–⅞	$1.00	–	2.5
20⅜	11⅞	Lowe's 50c	18¼	–⅛	48c	–	1.6
28	15⅞	Manuf. Hanover $1	26⅞	–1⅛	$3.28	–	7.7
22⅝	13⅞	Merrill Lynch $1	19⅞	–⅛	$1.00	–	3.2
2439p	1910p	Molex Inc	2308p	–47	3.2c	–	–
27⅛	18⅛	Morgan (JP) $2½	25⅞xd	....	$1.66	–	4.0
107⅞	97⅞	Morris (Phillip)	97⅞	–1⅜	$4.50	–	2.9
54½	36¼	NYNEX $1	50⅞	–¼	$4.36	–	5.4
44p	20p	N wide Legal Serv $	30p	....		–	–
24⅞	18¼	PHH Corp $	23½	–⅛	$1.12	–	3.0
259p	179p	♦Pacific Agr. $	212p	....		–	–
27¼	19	Pacificorp $3¼	25⅛xd	–⅞	$2.76	–	6.6
50¼	16⅞	Pacific Telesis 10c	20½	–¼	$1.88	–	4.2
22⅛	15¼	Pall Corp. 25c	21⅝	–¼	48c	–	1.4
55⅜	39⅞	Pennzoil 83 1/3c	58⅞xd	–1⅛	$3.00	–	3.7
42¼	28⅜	Quaker Oats $5	38⅞	–⅝	$1.20	–	2.0
32⅛	23½	Rep NY Corpn $5	29⅞xd	–⅝	$1.28	–	2.7
16	11⅞	Rockwell Intl. $1	14⅞xd	–⅛	78c	–	3.3
29½	22	Sears, Roebuck 75c	26¼	–⅝	$2.00	–	4.7
35⅝	21⅝	Southwestern Bell $1	34¼	–⅞	$2.60	–	4.8
27⅞	17⅞	Sun Co. Inc. $1	24⅞xd	–½	$1.80	–	4.6
31¼	22⅞	TRW Inc. 62½c	29¼	–⅞	$1.72	–	3.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	96	......
Craig & Rose £1 . y	830	......
Finlay Pkg. 5p ... y	85	-3
Holt (Jos) 25p..... y	1358	+10

IRISH

Cap. 8½% Ln. 1991...	£98	......
9pc Cap Ln. 1996..	£99	......
Fin. 13% 97/02...	£119	......
Arnotts...............	422	......
Carrol (P.J.)....... y	152	+2
Hall (R & H.).......	160xd	......
Helton Hldgs....... y	92	......
Irish Ropes........	212	......
United Drug........	142	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	88
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	16
Cadburys	46
Charter Cons	46
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	29
Glaxo	110
Grand Met	46
GUS 'A'	90
Guardian	13
GKN	34
Hanson	16
Hawker Sidd	68
ICI	100
Jaguar	26
Ladbroke	26
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	88
Reed Intnl	34
STC	32
Sears	18
Smithkline Bchm. A	58
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar holds after intervention

CO-ORDINATED Central Bank interventioo pushed the dollar sharply lower yesterday. This followed a strong message issued after the weekend meeting of the Group of Seven nations which pointed to the dollar as being uncomfortably high at it's recent levels. Ceotral banks declared their intention to take measures to reduce the dollar's strength.

Despite this, many traders were caught unawares yesterday by open dollar sales in Tokyo by the Bank of Japan and the US Federal Reserve, the latter intervening in Tokyo for the first time since the Plaza Accord in September 1985. The Bank of Canada also sold dollars in Tokyo, although on a relatively nominal scale.

The dollar lost about 2.5 per ceot of its overall value as central banks made clear their desire to see the US unit well below its current levels. Traders came into the market in London faced with a sharply weaker dollar, hut there was little time to ponder because oearly every central bank in Western Europe reinforced the earlier intervention hy selling dollars.

The dollar managed to stay above key support at DM1.8850 aod Y141.50 hut any hreak through these levels could encourage investors to close out established long dollar positions and encourage further stop loss selling.

The dollar closed at DM1.9055 from DM1.9495 and Y142.65 compared with Y145.60. Despite the weaker tone, the US unit made little attempt to test support levels ar DM1.8850 and Y141.50. Elsewhere in London, the dollar closed at SFr1.6565 from SFr1.6890 and FFr6.4525 compared with FFr6.5925. On Bank of England figures, the dollar's exchange rate index fell to 70.4 from 71.6 on Friday.

Sterling finished towards the day's low but still managed to show an improvement over the US dollar. Attentioo tended to be focused on the dollar for much of the day as investors hoped that UK investments would be safeguarded hy the return offered through high UK interest rates.

Mr Nigel Lawsoo, the UK Chancellor, stressed that UK rates would remain firm in order to combat inflation, but this failed to make much impression on the pound. Its exchange rate index fell to 91.9, down from 92.1 at the start hut still up from Friday's close

Attention is now likely to focus on the release tomorrow of UK trade figures for August. Some traders see this as an opportunity to sell the pound on fears of a worse than expected figure while others feel that the trade data may be better than the £1.4bn current account shortfall expected by most analysts.

Sterling closed at DM3.0650 from DM3.0725 and Y229.50, unchanged from Friday. Elsewhere, it closed at SFr2.6650 from SFr2.6600 and FFr10.3775 from FFr10.3850. In dollar terms, the pound finished at $1.6085 from $1.5755.

The D-Mark benefited more than most from the dollar's decline.

£ IN NEW YORK

Sep.25	Latest	Previous Close
£ Spot	1.6090-1.6100	1.5710-1.5720
1 month	0.63-0.62pm	0.63-0.62pm
3 months	1.90-1.86pm	1.87-1.84pm
12 months	6.28-6.18pm	6.55-6.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.25	Previous
8.30 am	92.1	91.6
9.00 am	92.0	91.5
10.00 am	92.0	91.6
11.00 am	91.9	91.6
Noon	92.0	91.6
1.00 pm	91.9	91.6
2.00 pm	91.9	91.6
3.00 pm	92.0	91.4
4.00 pm	91.9	91.6

CURRENCY RATES

Sep.25	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ß	-	1.26488	1.47882
U.S Dollar	7	1.24937	1.08904
Canadian $	12.36	1.47526	1.28104
Austrian Sch.	5	17.0989	14.5888
Belgian Franc	7.75	50.8900	43.4283
Danish Krone	9½	9.44836	8.05674
Deutsche Mark	5.00	2.42865	2.07158
Neth Guilder	6.00	2.73924	2.33676
French Franc	9½	8.21086	7.01616
Italian Lira	13½	1750.40	1496.35
Japanese Yen	3¼	181.971	155.298
Norway Krone	8	8.85928	7.59172
Spanish Peseta	-	151.875	130.043
Swedish Krona	9½	N/A	7.05809
Swiss Franc	5.5	2.10331	1.79801
Greek Drach.	20½	N/A	180.607
Irish Punt	-	N/A	0.777500

ß Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Sep.22

CURRENCY MOVEMENTS

Sep.25	Bank of England Index	Morgan** Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Sep.25	£	$
Luxembourg	64.20-64.30	39.90-40.00
Malaysia	4.3220-4.3330	2.6850-2.6870
Mexico	4154.80-4172.25	2580.00-2590.00
N Zealand	2.6945-2.7005	1.6735-1.6765
Saudi Ar.	6.0430-6.0505	3.7500-3.7510
Singapore	3.1635-3.1690	1.9635-1.9655
S. Af (Cm)	4.4120-4.4230	2.7400-2.7430
S. Af (Fn)	6.3990-6.5285	3.9680-4.0485
Taiwan	41.10-41.20	25.50-25.55
U.A.E.	5.9175-5.9245	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4283	+2.28	+1.29	±1.5424
Danish Krone	7.85212	8.05674	+2.61	+1.62	±1.6419
German D-Mark	2.05853	2.07158	+0.63	-0.36	±1.1019
French Franc	6.90403	7.01616	+1.62	+0.63	±1.3719
Dutch Guilder	2.31943	2.33676	+0.75	-0.24	±1.5019
Irish Punt	0.768411	0.777500	+1.18	+0.19	±1.6689
Italian Lira	1483.58	1496.35	+0.86	+0.43	±4.0815
Spanish Peseta	133.804	130.804	-2.24	-2.24	-

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sep 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6060-1.6165	1.6080-1.6090	0.65-0.63cpm	4.77	1.89-1.85pm	4.65
Canada	1.8905-1.8985	1.8920-1.8930	0.31-0.21cpm	1.65	0.80-0.58pm	1.46
Netherlands	3.45½-3.46½	3.45½-3.46½	1¾-1⅝cpm	6.29	5¼-5pm	5.83
Belgium	64.05-64.50	64.20-64.30	29-27cpm	5.23	82-77pm	4.92
Denmark	11.89½-11.93½	11.92¼-11.93¼	4⅛-3⅞orepm	4.15	11⅛-10⅛pm	3.65
Ireland	1.1480-1.1560	1.1490-1.1500	0.40-0.35ppm	3.91	1.10-1.00pm	3.65
W. Germany	3.06¼-3.06¾	3.06¼-3.06¾	1⅝-1½pfpm	6.61	4⅝-4½pm	5.95
Portugal	256.65-258.55	257.20-258.20	4-22cdis	-0.61	31-74dis	-0.81
Spain	191.60-192.90	192.35-192.65	6-15cdis	-0.65	30-44dis	-0.77
Italy	2211-2214½	2212½-2213½	5-3lirepm	2.17	9-7pm	1.45
Norway	11.21-11.25	11.21¼-11.22¼	3-2⅝orepm	3.01	0¼-7⅝pm	2.81
France	10.36¾-10.38¾	10.37¼-10.38¼	4¼-3⅞cpm	4.63	11¼-10⅞pm	4.26
Sweden	10.42½-10.46	10.43½-10.44½	1⅞-1⅝orepm	2.01	5-4⅝pm	1.84
Japan	229-230½	229-230	1⅝-1½ypm	8.17	4⅝-4½pm	7.95
Austria	21.51-21.60	21.56-21.58	11½-10⅛gropm	6.09	33¼-30¼pm	5.94
Switzerland	2.65½-2.67	2.66-2.67	1⅛-1¼cpm	5.91	3⅞-3⅛pm	5.72
ECU	1.4770-1.4800	1.4785-1.4795	0.50-0.47cpm	3.94	1.40-1.35pm	3.72

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.35-64.45 Six-month forward dollar 3.69-3.64cpm 12 Months 6.67-6.57cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6060-1.6165	1.6080-1.6090	0.65-0.63cpm	4.77	1.89-1.85pm	4.65
Ireland†	1.3975-1.4030	1.3980-1.3990	0.10-0.06cpm	0.69	0.48-0.38pm	1.23
Canada	1.1745-1.1800	1.1770-1.1780	0.29-0.33cdis	-3.16	0.90-1.00dis	-3.23
Netherlands	2.1375-2.1510	2.1500-2.1510	0.28-0.26cpm	1.51	0.67-0.63pm	1.21
Belgium	39.70-40.00	39.90-40.00	2.80-1.20cpm	0.45	4.50-1.50pm	0.30
Denmark	7.38-7.41¾	7.41¼-7.41¾	0.25-0.50oredis	-0.61	1.40-1.80dis	-0.86
W. Germany	1.8945-1.9085	1.9050-1.9060	0.29-0.27pfpm	1.76	0.72-0.69pm	1.48
Portugal	160.15-160.55	160.40-160.50	50-60cdis	-4.12	205-230dis	-5.43
Spain	118.90-119.85	119.75-119.85	51-56cdis	-5.38	156-166dis	-5.40
Italy	1369-1377	1375½-1376½	3.00-4.00liredis	-3.05	11.50-12.50dis	-3.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Sep.25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Sep.25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
$ Fr.	0.375	0.604	1.150	86.12	3.895	1	1.298	830.4	0.710	24.11
H Fl.	0.289	0.465	0.886	66.33	3.000	0.770	1	639.6	0.547	18.57
Lira	0.452	0.727	1.385	103.7	4.690	1.204	1.563	1000.	0.855	29.03
C $	0.528	0.850	1.619	121.2	5.483	1.408	1.828	1169	1	33.94
B Fr.	1.556	2.504	4.770	357.2	16.16	4.148	5.385	3444	2.946	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling at contract low

DECEMBER SHORT sterling futures temporarily fell through technical support at 86.32 on Liffe yesterday, before closing at 86.34, against 86.37 on Friday.

This was a contract low, leaving the market without further support and vulnerable to further falls, particularly if today's trade figures disappoint.

Volume remained reasonably good, at over 23,000 lots for December delivery. The recent pick up in activity has allowed traders to square short positions and in the present economic climate, with little hope of any base rate reduction in the foreseeable future, this has provided more room for the market to turn bearish again.

December short sterling opened firm at 86.41, reacting to the pound's rise

Sentiment worsened after Mr Nigel Lawson, the Chancellor, indicated to a Washington meeting of the International Monetary Fund that there will be no early easing of UK monetary policy. Dealers also pointed out that the decision of the Bank of England to increase the regular weekly Treasury bill tender, with a snpplementary £200m of 9-week hills, could be a taken as another signal that there is no prospect of a rate cut.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
91	3-32	4-30	0-08	0-12
92	2-41	3-40	0-17	0-22
93	1-55	2-54	0-31	0-36
94	1-12	2-10	0-52	0-56
95	0-46	1-37	1-22	1-19
96	0-27	1-07	2-03	1-53
97	0-15	0-48	2-55	2-30

Estimated volume total. Calls 944 Puts 590
Previous day's open int. Calls 11297 Puts 7937

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
92	4-05	4-42	0-17	1-00
93	3-15	3-62	0-27	1-20
94	2-29	3-22	0-41	1-44
95	1-50	2-50	0-62	2-08
96	1-16	2-18	1-28	2-40
97	0-54	1-55	2-02	3-13
98	0-35	1-31	2-47	3-53

Estimated volume total, Calls 22 Puts 210
Previous day's open int. Calls 2420 Puts 1771

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9250	1.40	1.82	0.16	0.43
9300	1.03	1.49	0.29	0.60
9350	0.71	1.19	0.47	0.80
9400	0.45	0.93	0.71	1.04
9450	0.28	0.71	1.04	1.32
9500	0.16	0.53	1.42	1.64
9550	0.09	0.39	1.85	2.00

Estimated volume total, Calls 856 Puts 1010
Previous day's open int. Calls 12710 Puts 11006

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.550	6.04	6.32	6.67	7.18	-	1.09	1.90	3.80
1.575	3.96	4.50	4.99	5.62	0.80	1.86	2.81	4.94
1.600	2.28	3.01	3.61	4.42	1.66	2.83	4.02	6.29
1.625	1.26	2.03	2.55	3.37	2.96	4.27	5.47	7.80
1.650	0.48	1.26	1.82	2.53	4.79	5.99	7.15	9.46

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

BASE LENDING RATES

	%
ABN Bank	14
Adams & Company	14
Allied Trust Bank	14
Allied Irish Bank	14
● Henry Ansbacher	14
Associates Cap Corp	14
Authority Bank	14
● B & C Merchant Bank	14
Bank of Baroda	14
Banco Bilbao Vizcaya	14
Bank Hapoalim	14
Bank Credit & Comm	14
Bank of Cyprus	14
Bank of Ireland	14
Bank of India	14
Bank of Scotland	14
Banque Belge Ltd	14
Barclays Bank	14
Benchmark Bank PLC	14
Brit Bk of Mid East	14
● Brown Shipley	14
Business Mtge Bank	14½
CL Bank Nederland	14
● Charterhouse Bank	14
Citibank NA	14
City Merchants Bank	14
Clydesdale Bank	14
Comm. Bk. N. East	14
Co-operative Bank	*14
Coutts & Co	14
Cyprus Popular Bk	14
Dunbar Bank PLC	14
Duncan Lawrie	14
Equatorial Bank plc	14
Exeter Trust Ltd	14½
Financial & Gen. Bank	14
First National Bank Plc.	15
● Robert Fleming & Co.	14
Robert Fraser & Ptrs.	14½
Girobank	14
● Guinness Mahon	14
HFC Bank plc	14
● Hambros Bank	14
Hampshire Trust Plc	14½
Heritable & Gen Inv Bnk	14
● Hill Samuel	§14
C. Hoare & Co.	14
Hongkong & Shangh	14
● Leopold Joseph & Sons	14
Lloyds Bank	14
Meghraj Bank Ltd	14
McDonnell Douglas Bnk	14
Midland Bank	14
Mount Banking	14
Nat Bk. of Kuwait	14
NatWestminster	14
Northern Bank Ltd	14
Norwich Gen. Trust	14
PRIVATbanken Limited	14
Provincial Bank PLC	15
R. Raphael & Sons	14
Roxburghe G'rantee	14½
Royal Bk of Scotland	14
Royal Trust Bank	14
● Smith & Williams Secs.	14
Standard Chartered	14
TSB	14
United Bk of Kuwait	14
United Mizrahi Bank	14
Unity Trust Bank Plc	14
Western Trust	14
Westpac Bank Corp.	14
Whiteaway Laidlaw	14
Yorkshire Bank	14

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EUROPEAN OPTIONS EXCHANGE

Series	Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Apr. 90 Vol	Apr. 90 Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 35,650
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates firmer

FIXED PERIOD rates nudged higher on the London money market yesterday and overnight funds held firm at around 14 per cent, as it seemed the Bank of England had not taken out the full underlying credit shortage.

Three-month sterling interbank rose to 13⅞-13¾ per cent from 13¾-13⅝ per cent, on the UK Chancellor's comments, appearing to end any lingering hopes of an early cut in base rates. Nervousness increased ahead of today's figures on the August UK trade position.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England initially forecast a credit shortage of £300m, hut revised this to £350m at nooo, and hack to £300m in the afternoon. Total help of £262m was provided. The authorities did not operate in the market hefore lunch, but in the afternoon bought £112m bank bills in band 1 at 13¾-13⅞ per cent. Late assistance of around £150m was also provided.

Bills maturing in official hands, repaymeot of late assistance and a take-up of Treasury bills drained £690m, with Exchequer transactioos absorbing £5m, and bank balances below target £110m. These factors outweighed a fall in the note circulation adding £490m to liquidity.

In New York the Federal Reserve's action, adding liquidity via four-day system repurchase agreements, was slightly more aggressive than expected, but the move appeared to have no policy significance. Federal funds were trading at 9⅛ per cent at the time, above the Feds target of 9 per cent.

In Frankfurt call money was unchanged at 6.90 per cent, as banks took a cautious view of the last trading week of September. The Bundeshank snnounced a provisional reserve requirement for the mooth of DM55.8bn, well below expectatioos of around DM57bn, but this did not lead to a flood of surplus liquidity on the money market.

Banks' reserve holdings for the first 21 days of the month - up to and including last Thursday - averaged DM58.7bn, but are now probably on a downward slide. Seasonal tax payments are likely to drain funds from the banking system this week and money will also leave the market on Wednesday when a securities repurchase agreement of DM9.5bn expires.

The Bundesbank will probably offer another repurchase pact today, but another uncertainty is the impact of central bank intervention to support the D-Mark against the dollar. When the Bundesbank huys D-Marks on the foreign exchanges it has the effect of reducing the amount of money in circulation domestically.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.25) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 9	bid 8⅞	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	10⅜
Fed.funds	9⅛
Fed.funds at intervention	9⅛

Treasury Bills and Bonds: [illegible]

Sep.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.95-7.10	7.10-7.25	7.20-7.35	7.30-7.50	7.00
Paris	8⅞-9⅛	9⅛-9¼	9⅛-9¼	9⅛-9⅜	9⅜-9⅝	8.75
Zurich	6⅛-6⅝	7⅛-7⅜	-	7⅛-7⅜	-	-
Amsterdam	6.80-6.95	7.38-7.43	-	7.55-7.65	-	-
Tokyo	5⅛-5⅜	5⅜-5⅞	-	5⅝-5⅞	-	-
Milan	12⅛-12½	12⅝-12⅞	-	12⅝-12⅞	-	-
Brussels	-	-	-	-	-	-
Dublin	9⅛-9⅜	9½-9⅝	10⅛-10⅜	10⅜-10½	10½-10⅝	-

LONDON MONEY RATES

Sep.25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14	14	14	14	13⅞
Interbank Bid	13⅞	13⅞	13⅞	13⅞	13⅞	13⅝
Sterling CDs	-	-	13⅞	13⅞	13⅞	13⅞
Local Authority Deps.	13⅞	13⅞	13⅞	13⅞	13⅞	13⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	13⅞	13¾	13½	-	-
Company Deposits	-	-	14	14	14	13⅞
Finance House Deposits	-	-	13⅞	13⅞	13⅞	13⅞
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13½	13⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	14⅛	13⅞	-
Dollar CDs	-	-	8.95	8.90	8.90	8.80
SDR Linked Dep Offer	-	-	8⅞	8⅞	8⅞	8⅞
SDR Linked Dep Bid	-	-	8⅝	8⅝	8⅝	8⅝
ECU Linked Dep Offer	-	-	9¾	9⅞	10	10
ECU Linked Dep Bid	-	-	9⅝	9⅝	9⅞	9⅞

Treasury Bills (sell): one-month 13⅝ per cent; three months 13⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.4431 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c., Schemes II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

ART GALLERIES

CLUBS

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

Notice is hereby given that, pursuant to the provisions of the Articles of Incorporation of the Company, September 30, 1989, (because such date falls on Saturday and is a Bank Holiday, it is in effect as of September 29, 1989, Japan Time) is the Record Date for determining those Shareholder or Pledgees who shall receive interim dividend.

Bank of Tokyo International Limited
(London Depositary)
26th September, 1989

Northern Ireland

The Financial Times proposes to publish this survey on:

October 1989

For a full editorial synopsis and advertisement details, please contact:

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or write to him at:

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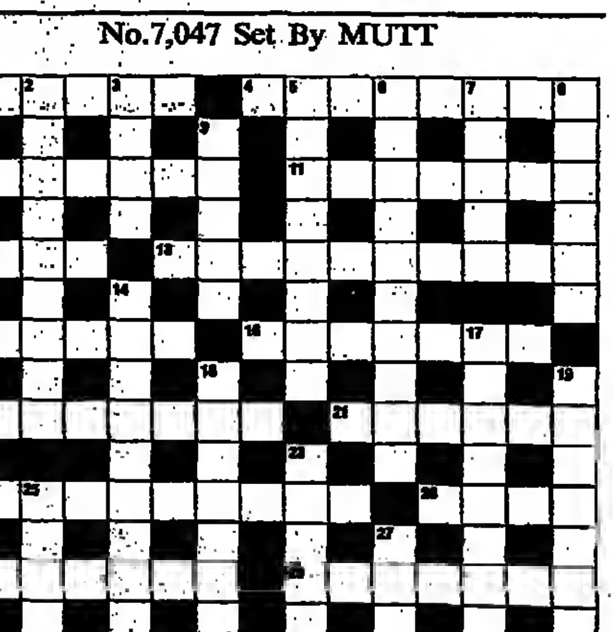
Queen Street,
Manchester M2 5HT

JOTTER PAD

CROSSWORD

No.7,047 Set By MUTT



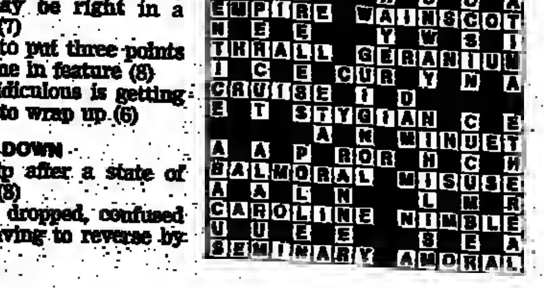
ACROSS

1 A snack and a rest in church (6)
4 A little bit vulgar perhaps? (8)
10 Saying little of the French firm at Nice, there's no point (7)
11 Break in continuity: no date given for this performance (7)
12 Girl with article slipped in the mire (4)
13 Evergreen gives us no fir-cone (10)
15 Come to grips with seaweed (6)
16 Brisk about small relative; keep at it (7)
20 Amaze a number going after accommodation (7)
21 Reception given by "in" people? (2-4)
24 Provoke former champion, putting second in charge (10)
26 Miss going to hop (4)
28 Changing diapers can give one that hopeless feeling (7)
29 Some may be right in a draught (7)
30 It's silly to put three points after name in feature (8)
31 What's ridiculous is getting egghead to wrap up (6)

DOWN

1 Friendship after a state of disaster (8)
2 Oil-can I dropped, confused about having to reverse by night (9)
3 Small horse for £25 (4)
5 Earpiece found by fence? (8)
6 To make amends meant scope for development (10)
7 I'd do some gardening if implemented by the state, say (5)
8 One is not clothes conscious (6)
9 A man of many parts (5)
14 They're identical nevertheless (3,3,4)
17 Retailer, about 50, taking note of current prices (5-4)
18 Given beer, cur's becoming hellish guard dog (8)
19 Sympathetic reaction to one press review (8)
22 Continue nursing ligament (6)
23 Prevents stains showing up (5)
25 A side issue? It's a flaming crime (5)
27 Pull a number: green (4)

Solution to Puzzle No.7,046



WORLD STOCK MARKETS

AUSTRIA — FRANCE — GERMANY — ITALY — SWEDEN — BELGIUM/LUXEMBOURG — NETHERLANDS — SWITZERLAND — NORWAY — DENMARK — FINLAND — FRANCE — SPAIN — SOUTH AFRICA — JAPAN — AUSTRALIA — HONG KONG — SINGAPORE

[illegible]

CANADA

TORONTO
4pm prices September 25

[illegible]

MONTREAL
4pm prices September 25

[illegible]

Total Sales 6,261,432 shares.

INDICES

NEW YORK

DOW JONES	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2659.19	2681.61	2680.28	2683.89	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	(u)	92.88	92.89	92.97	94.15 (2/8)	87.35 (23/3)		
Transport	1428.17	1448.26	1465.86	1457.33	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.67	216.80	216.30	217.43	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2685.41 (2696.62) Low 2647.61 (2667.55)

STANDARD AND POOR'S

	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	344.23	347.05	345.70	346.47	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	392.89	396.98	394.64	395.60	405.27 (1/9)	318.66 (3/11)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.07	33.38	33.07	33.03	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	191.28	192.73	192.16	192.45	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	382.40	381.38	380.04	379.14	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	466.71	468.07	467.00	466.72	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 22	Sep 15	Sep 8	year ago (approx.)
Dow Industrial Div. Yield	3.75	3.76	3.70	3.70

	Sep 20	Sep 13	Sep 6	year ago (approx.)
S & P Industrial div. yield	2.87	2.89	2.86	3.19
S & P Indl. P/E ratio	14.49	14.46	14.61	13.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Colombia	6,223,300	26⅜	+ 5¼
Maxic Hao (xd)	2,743,300	42	− ¼
AT&T	1,759,500	42¼	− 1
Lomas Fin	2,202,000	1⅛	− 1¼
IBM	1,140,500	116¼	− ¼
Allergan	1,083,700	18⅝	+ ½
Phil Elec	1,066,400	22⅛	—
Niag Mohawk	1,061,600	14⅞	—
Bristol Myers	995,500	50⅛	− ⅛
Philips Ind	958,500	24⅞	+ 4⅞

TRADING ACTIVITY

† Volume Millions	Sep 25	Sep 21	Sep 21
New York	120.465	131.186	148.334
Amex	11.475	10.206	12.401
NASDAQ	(u)	148.885	138.620
Issues Traded	1951	1940	1,948
Rises	435	727	664
Falls	1018	637	755
Unchanged	498	576	529
New Highs	37	51	45
New Lows	30	30	26

CANADA

TORONTO	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW
Metals & Minerals	3620.9	3646.6	3644.7	3667.4	3919.2 (1/9)	3207.5 (3/1)
Composite	3901.3	3909.5	3901.3	3906.5	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1978.31	1986.92	1986.25	1997.05	2053.80 (1/9)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 25	Sep. 22	Sep. 21	Sep. 20	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1686.6	1706.8	1714.8	1734.0	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	817.1	830.2	838.8	843.2	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	462.08	452.53	443.96	441.50	462.08 (25/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6798.87	6747.19	6702.10	6706.17	6798.87 (25/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	331.21	332.21	332.77	332.45	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	708.7	721.3	722.7	731.3	815.8 (18/4)	708.7 (25/9)
FRANCE						
CAC General (31/12/82)	550.3	550.4	543.7	542.6	550.4 (22/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	126.6	126.1	124.3	124.5	126.6 (25/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	683.57	679.37	674.93	674.79	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2044.8	2032.8	2019.4	2015.0	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1636.93	1628.80	1611.42	1612.87	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2738.70	2706.36	2665.75	2631.20	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1771.57	1768.47	1754.74	1751.65	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	711.94	715.53	709.90	712.14	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34960.71	34771.79	34745.02	34470.58	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2643.20	2629.40	2633.52	2615.58	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	270.7	272.5	272.7	272.0	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	208.1	209.5	209.7	209.2	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	690.59	686.34	685.92	688.8	692.28 (18/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1151.56	1128.34	1135.86	1129.10	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1385.54	1392.80	1401.35	1394.97	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1675.0‡	1644.0	1609.0	1600.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2738.0‡	2735.0	2736.0	2730.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	928.22	932.36	938.13	943.87	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	327.45	326.27	325.20	324.68	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4251.62	4291.3	4299.7	4283.9	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	814.1	816.3	814.9	818.8	829.1 (6/9)	613.1 (3/1)
TAIWAN						
Weighted Price (30/6/66)	10773.12	10672.22	10567.06	10635.91	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	700.73	707.26	708.24	702.92	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	531.0	532.2	531.5	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

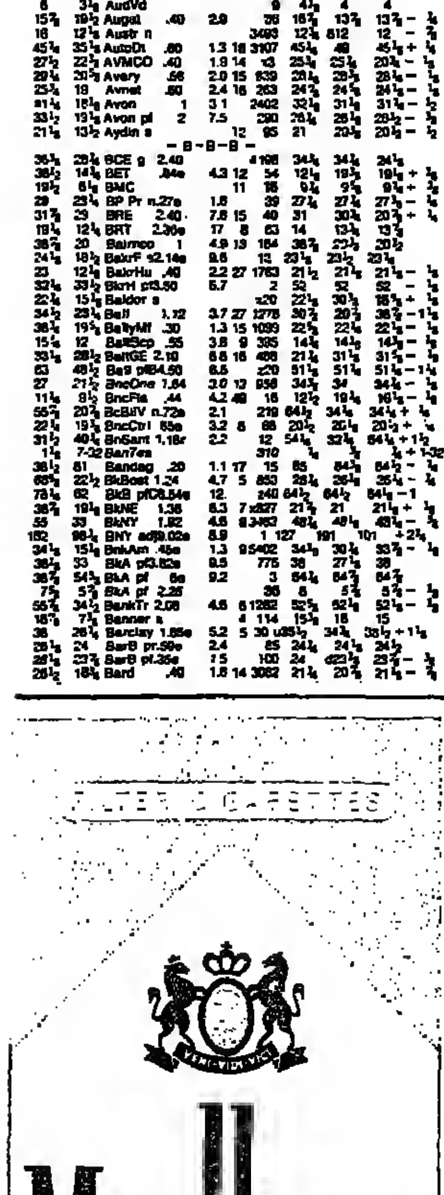
TOKYO - Most Active Stocks
Monday September 25 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	14.0m	756	+4	Sankyo	6.3m	3,080	+140
NKK	8.7m	749	+6	Pioneer	6.2m	5,200	+230
Miyoshi F&O	8.6m	1,040	+40	Sumitomo	6.2m	1,550	+20
Kawasaki Steel	7.9m	612	+1	Sumitomo Metal	6.1m	92260	0
Yasukawa	6.9m	1,330	+40	MHI	6.1m	1,140	+10

4pm prices September 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
36¼	21⅛	AAR	.44	1.3	21	341	35	34⅛	34¾	– ⅛
9⅞	8⅛	ACM n	1.27	11.		149	8⅞	9	2	– ⅛
11⅝	10¾	ACMIn	1.38a	11.		254	11½	11¼	11⅜	
19¾	5	ACM M	n1.27	11.		102	8⅞	8¾	8⅞	– ⅛
11½	19	ACM Sc	1.26	11.		z740	11¼	11⅛	11⅛	
9⅞	8¾	ACMSp	1.21	11.		369	9⅛	9	9	
10	11½	AL Lab	.12	.8	17	27	18⅛	18⅞	18	– ⅛
4⅛	3⅛	AMCA	.12e	3.6	23	11	3½	3⅞	3⅛	– ⅛
6⅛	4½	AM Int			11	1551	5½	5⅛	5⅛	
23½	20⅞	AM In pf	2	9.1		16	22	22	20	
95	45⅛	AMR			8	7407	79⅛	17⅛	77⅞	–1⅛
27	25	ANR pf	2.67	10.		10	25⅛	25⅛	25⅞	+ ⅛
24⅞	23⅛	ANR pf	2.12	8.7		1	24⅛	24⅛	24⅛	– ⅛
7⅛	3⅞	ARX				15	4⅛	4	4⅛	– ⅛
45⅛	36¾	ASA	3a	6.5		1890	u46⅞	40	46⅛	+ ½
22⅛	16¼	AVX	.24	1.1	10	574	21⅞	21⅛	21⅛	+ ⅛
66	44⅛	AbtLab	1.40	2.3	17	2361	66¼	31¾	61⅞	– ¾
16⅛	13¾	Abitibi g	1			35	14¾	14½	14⅛	
13	7½	AcmeC	.40	3.9		244	10⅝	19⅛	12⅛	
6⅛	5⅞	AcmeE	.32	3.6	11	8	9⅛	9⅛	2⅛	
34⅞	26⅛	Acuson			23	465	33⅛	32	32	–1
11	14⅛	AdaEx	1.82e	11.		93	16½	10⅛	16⅛	
12⅞	6½	Adobe				225	11⅛	11⅛	11⅛	– ⅛
21⅝	19⅞	Advb pf	2.40	11.		4	21	21	21	– ⅛
11½	7⅛	AMD				911	8⅛	8½	8½	– ⅛
33½	28½	AMD pf	3	9.1		54	31	30½	31	– ⅛



Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	65⅞	Xerox	3	4.6	19	2196	66⅛	65⅝	65¾	− ⅝
48	43⅞	Xerox pf				19	43⅛	43½	43½	− ¼
48¾	44½	Xerox pf4.13		8.6		2	48	48	48	+1½
44¼	29⅞	XTRA	.72	2.4	9	35	29½	29⅜	29½	
4¼	2	Zapata				132	2⅝	2½	2⅝	
15½	10	Zemex	.40	4.0		11	10⅛	d 9⅞	10⅛	+ ⅛
22⅝	14	ZenithE				613	14⅝	14⅛	14¼	
10⅞	8¼	Zenlnc	1.26	15.		31	8⅝	8½	8⅝	
2½	1⅛	vjZenLb				390	1⅝	1⅜	1½	− ⅛
21½	15	ZenNtl	.84	4.4	9	44	19	19	19	− ⅛
18½	12¼	Zero s	.40	2.3	17	62	17½	17¼	17⅜	− ⅛
44¼	25	Zurmin	.68	1.7	19	201	39¾	35⅛	39⅛	− ⅝
12	10	Zweig	1.09e	9.2		287	11⅞	11¾	11⅞	+ ½
10⅛	8¾	ZweigTl	.96	10.		1732	9¼	9	9¼	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 25

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 25

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WillJ A	1.16		107	8 u69¼	65	69¼	+ ¼
Willamt	1.40	6	21	52¼	52	52	− ¼
WilmTr	1.24	13	128	42⅝	41	41½	−1¼
WiserO	.40	43	9	16⅝	16⅝	16⅝	− ⅛
Wolohn	.28	11	36	21¼	20¾	20½	− ¼
WivEx h			582	6½	6¼	6¼	− ½
Worthg	.56	16	257	23½	22½	23¼	− ⅝
Wyman	.80	178	229	10	17½	17¾	
− X − Y − Z −							
XL Dta s		20	380	26	25½	20½	− ⅛
XOMA			1682	21½	20½	21	+1
Xicor		8	1323	5⅝	5⅜	5½	
YelowF	.76	11	259	28½	29½	20¼	− ⅝
ZionUt	1.44		161	30½	20½	30¼	+ ¼
Zycad			787	2¼	2 7-16	2⅛	− ½

AMERICA

Equities follow the dollar's downward path

Wall Street

A TAILSPIN in the dollar, which followed the weekend meeting of the Group of Seven industrial nations where the dollar's recent gains were criticised, helpsd pusb equities broadly lower yesterday in desultory trading, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed down 22.42 points at 2,659.19. Volume on the New York Stock Exchange was thin, with only 120.5m shares changing hands. On the big board, declining issues led those advancing by 1.018 to 439.

Among broader market indices, the Standard & Poor's 500 was down 2.82 points at 344.23, the New York Stock Exchange Composite was down 1.45 points at 191.28, while the American Exchange Composite rose 0.02 points at 381.40.

Equities dropped in tandem with the debt market, where treasuries slipped lower on the heels of the dollar's descent. In late trading, the treasury's bellwether 30-year long bond was down 1½ of s point at 98½, yielding 8.29 per cent. Fed funds, the rate at which banks lend to each other, cbanged hands at 9 per cent.

Treasuries were also hurt by stronger-than-expected mid-Septsmber auto sales. Dsbt traders were also concerned sbout s possible Opec accord to increase the oil outpnt ceiling.

The Group of Seven, which met on Saturday in Washington, said tbe dollar's recent rise wss "inconsistent with longer run economic fundamentals."

The dollar was also pushed lower by 8 round of central bank intervention early in the session. In late trading, the US currency was qnoted at Y142.10 and DM1.8895, compared with Y146.05 and DM1.9510 late on Friday in New York.

Columbia Pictures soared $5¾ to $26¾ after Sony said it had offered to buy the entertainment company for between $26 and $28 a share. The issue was the most active on the New York Stock Exchange. Coca Cola, which holds a 49 per cent stake in Columbia, jumped $¾ to $63.

Among other entertainment companies, Walt Disney gained $¼ to $118¾, Paramount Communications added $1¼ to $54¾ and MCA rose $1⅛ to $63⅞. Connaught BioScience jumped $3⅛ to $31¼ after the company agreed to be acquired by Institut Merieux of France for C$37 8 share. CIBA-Geigy and Chiron had earlier offered C$30.

Lomas Financial, which filed for protection under Chapter 11 of the Federal bankruptcy code plummeted $1¼ to $1⅞. The company is close to reaching agreements with senior creditors on a proposal for debt restructuring.

A number of airline issues moved lower after a report that the US Transportation Secretary had requested a reduction in KLM Royal Dutch Airlines' investment in NWA, parent of Northwest Airlines.

UAL, parent of United Airlines, shed $7⅞ to $274⅛, amid fears that the pending $300 a share buyout might be disrupted.

AMR, parent of American Airlines, fell $1⅝ to $77⅞, Delta Air Lines dropped $1 to $70 and Texas Air, parent of troubled Eastern and Continental airlines, plunged $1¼ to $17⅛. However, USAir gained $⅜ to 46⅞.

Among the big three auto makers, General Motors slid $⅛ to $47⅞, Chrysler fell $⅜ to $25⅝ and Ford fell $⅜ to $50⅞.

Canada

IN MODERATE trading shares closed lower in Toronto, and the composite index fell 8.2 to 3,901.3.

Some 21.8m shares changed hands, compared to 25.9m on Friday and declines led advances 358 to 252.

EUROPE

Brussels hits record on speculative interest

EXCITEMENT was restricted to the Belgian and Spanish bourses yesterday, as early gains in the bigger markets fizzled out amid interest rate worries, *writes Our Markets Staff.*

BRUSSELS was boosted to all-time highs by speculative activity in individual stocks. The casb market index gained 51.68 to a new peak of 6,798.87.

Metallurgie Hoboken Overpelt, the non-ferrous metals company, surged BFr3,375, or 13 per cent, to BFr29,375, amid rumours that it would merge with Acec-Union Minière.

Acec-Union Minière, the recently formed engineering and non-ferrous metals unit of Société Générale de Belgique, gained BFr40 to BFr540 on turnover of 100,600 shares. Its rights issue ends on October 5.

Chemical stocks benefited from Solvay's announcement on Friday of a 12 per cent rise in first-half net profits, and in anticipation of an improvement in UCB's consolidated results, to be released on Thursday. Solvay gained BFr250 to BFr14,700 and UCB rose BFr300 to BFr14,200.

MADRID investors were keen to buy in all sectors and the bourse closed firm in pit trading amid high volume. The general index rose 1.18 to 327.45.

Asland, the construction group, rose 28 percentage points to 1,210 per cent of par value, while Dragados, another leading construction company, fell 3 to 692.50.

FRANKFURT began in a confident frame of mind as fears of rising interest rates seemed to fade, but the market paused for thought later in the day, closing off its highs.

Early on, share prices rose and trading was active after the weekend's meeting of the Group of Seven leading industrial nations, which agreed to halt the rise in the dollar. This seemed to rednce pressure on interest rates.

However, economic figures released later in the day suggested that West German inflation was moving upwards. As a result, the Bundesbank migbt well take action on interest rates at its next meeting, said one analyst.

Steel producer Thyssen rose to DM250.50 on predictions of good annual profits and sales growth, before falling back on profit-taking to close DM1 higher at DM249.

Construction stocks were also strong, with Hochtief gaining DM17 to DM947 and Heidelberger Zement picking np DM50 to DM1,105.

Optimism over earnings prospects for retailers sent that sector's stocks higber, with Karstadt up DM12.20 at DM683 and Kaufhof up DM2 at DM582. Asko added DM1 to DM905; after the close, it emerged that the company was taking legal action against Ahold of the Netherlands over the latter's cancellation of co-operation talks.

The DAX index gained 7.13 to 1,635.93 while the midsession FAZ index added 4.2 to 683.57. Turnover at DM5.1bn was busy, but less active than on Friday when a huge DM6.4bn worth of shares was traded.

PARIS fell back as the day progressed, with interest rate worries beginning to bite.

The principal feature was tyre maker Michelin, which gained FFr8.80 to FFr189.80 in active trading. The company's purchase of Uniroyal Goodrich of the US for about $1.5bn was received well by investors, altbough one observer described this enthusiasm as surprising. Financing the deal will greatly increase the company's gearing.

Matra picked up FFr9.50 to FFr433 after last week'a announcement that it would float part of its telecommunications subsidiary and had sold a 50 per cent stake in a chip-producing subsidiary to West Germany's AEG.

The CAC General index's series of record highs came to an end with a 0.1 point fall to 550.3. The OMF 50 index shed 4.11 to 529.31. Turnover was estimated as moderate at less than FFr3bn.

AMSTERDAM alipped in moderately active trading as the dollar weakened. The CBS tendency index eased 0.3 to 198.0.

DSM, the chemical concern, rose 10 cents to Fl 127.10 before today's announcement of the issne price for a second tranche of 12m shares.

Ahold, the retailer, closed 50 cents higher at Fl 137.50 before news that West German retailer Asko was taking legal action in an attempt to revive co-operation talks. Ahold cancelled the talks after Asko took a 12 per cent stake in the Dutch company.

MILAN eased during a low-volume trading session which lacked all motivation other than selling pressure from investors at home and abroad. The Comit index lost 3.79 to 711.94.

Generali, the insurer, shed L110 at the official close to L45,400 and then slipped further to L45,150 in late trading after saying on Friday it was acquiring a 12 per cent stake in Nuovo Banco Ambrosiano, the Milan-based institution.

ZURICH closed littls changed, with any price fluctuations limited to a narrow range. The Crédit Suisse lost 0.7 to 655.7.

Union Bank of Switzerland added SFr20 to SFr3,905 after Mr Robert Studer, its president, told a news conference the bank was looking for record results this year.

Alusuisse, the aluminium and chemicals group, led the actives list after the company published a favourable interim report. Its bearers rose SFr10 to SFr1,438.

STOCKHOLM continued its retreat, falling broadly in lacklustre trade. The Affärsvärlden general index closed down 11.8 at 1,263.5. Shares worth SKr315m changed hands compared with SKr227m on Friday.

Electrolux, the home appliances gronp, fell SKr4 to SKr300 in large turnover after reports of deteriorating sales in the US and in Europe.

The weekly review of world stock markets' performance will appear in a later issue.

SOUTH AFRICA

ACTIVE trading saw share prices rise across the board in Johannesburg. Among mining stocks, Vaal Reefs added 200 cents to R329.

ASIA PACIFIC

Nikkei advances in rush to buy before new term

Tokyo

SHARE PRICES rose strongly as the yen's firm appreciation and a rally on the bond market painted a rosier picture for the market's future, and as investors rushed to buy before the nsw term begins, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average snstained a strong early rise and closed 188.92 points higher at 34,960.71. The day's high was 34,990.13 and the low was 34,834.05. Advances outnumbered declines by 507 to 417, while 202 issnes were unchanged.

Turnover, however, was still low at 587m shares, down from the 700m traded on Friday. The Topix index of all listed shares advanced 13.80 to 2,643.20 and, in London trading, the ISE/Nikkei 50 index rose 3.72 to 2,031.94.

Investors took heart from the yen's strong recovery. This was triggered by the agreement to keep the dollar's rise in check, reached at the meeting of finance ministers of the Gronp of Seven industrial nations at the weekend.

The statement, indicating that the finance ministers of the world's leading industrial nations had agreed to prevent the dollar from rising too strongly, helped calm fears. The market had been worried that the dollar's continuing strength would lead to greater inflationary pressures and could result in another increase in Japan's official discount rate.

A strong rally on the bond market in response to the news also helped to bolster stock investors' buying enthusiasm.

The environment for the market has been gradually improving over the past few days, said Mr Kitai Kazuma at County NatWest. For one thing, the supply and demand balance has been getting better, with a large number of investment trust funds to be launched as the market enters its new term.

Investors were also said to have been rushing to buy, in order to qualify to receive free scrip issnes and dividends before trading switches over to the new term, beginning today.

Mr Kazuma believes that the market's future prospects depend to a considerable extent on the ability of leading brokers to take advantage of the improved climate and to channel buying interest into their own themes.

Interest continued to be scattered, as investors jumped on any issne that showed signs of moving upwards. Even within this market without a theme, however, certain issues sustained interest.

Among these were high-priced issues with good earnings prospects, such as Pioneer, which surged Y250 to a new high of Y5,200 in active trading. Strong sales of its laser disk players and the stock's low price/earnings ratio of about 40 supported buying in Pioneer.

Miyoshi Oil and Fat, a leading maker of margarine, advanced Y120 to Y1,120. It was the third most actively traded issue and closed up Y40 at Y1,040.

Large capital issues, which had fallen on interest rate fears, recovered some of their losses. Nippon Steel topped the actives list with 14m shares changing hands and gained Y4 to Y756. NKK followed with 8.7m shares and rose Y6 to Y748. Mitsubishi Heavy Industries advanced Y10 to Y1,140.

Widespread interest in Osaka supported a 119.75-point rise on the OSE average to 35,370.61. Turnover slipped to 144m shares from 148m on Friday.

Roundup

FORTUNES varied in the Asia Pacific region, with Australia moving sharply lower, while Hong Kong continued to rally.

AUSTRALIA dropped below the 1,700 level on the All Ordinaries index as the strength of the local dollar and selling in the futures market unnerved investors. The Australian dollar reached its highest level since May, harming prospects for companies such as the mining groups that sell their products in US dollars or other currencies.

The All Ordinaries index fell 20.2, or 1.2 per cent, to 1,686.6 as overseas buyers deserted. Turnover was 120m shares with a value of A$292m. This total included 50m shares in brewing, agribnsiness and finance group Elders IXL, traded at the Harlin Holdings offer price of A$3; the offer closes this week.

News Corp, which relies heavily on overseas earnings, declined 25 cents to A$15.25.

Among resources exporters, Broken Hill Proprietary fell 20 cents to A$9.36, CRA shed 15 cents to A$11.35 and Western Mining eased 8 cents to A$6.14.

HONG KONG made its fourth successive rise, buoyed by results from Jardine Matheson. The Hang Seng index rose 32.34 to 2,738.70; on Friday, the index regained the levels last seen before its slump at the beginning of June in the wake of the unrest in Chinese.

Jardine Matheson Holdings gained 60 cents to HK$22.30 after announcing interim profits up 41 per cent at HK$634m, slightly above expectations.

SINGAPORE eased again as profit-taking continued, with the Straits Times Industrial index losing 7.26 to 1,385.54.

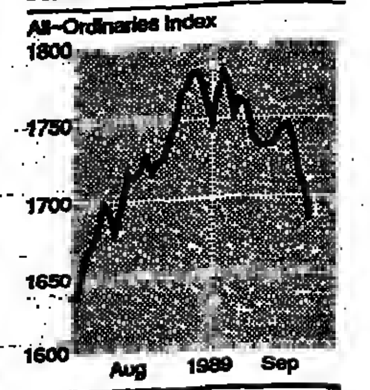
In the property sector, Singapore Land lost 50 cents to S$13.60. UIC, which has taken a 13 per cent stake in Singapore Land, dropped S$7 to S$227.

SOUTH KOREA saw its string of losses continue. Financial stocks, however, defied the trend after news that the Finance Ministry had asked some banks and brokerages to delay rights issnes until next year in a move to prevent a huge rush of money into the market. The composite index lost 0.88 to 928.22.

TAIWAN shook off bursts of profit-taking to finish at a record high, with the weighted index gaining 97.68 to 10,773.11.

Australia

All-Ordinaries Index



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 25 1989						FRIDAY SEPTEMBER 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.73	+1.0	142.62	130.29	+0.3	5.04	153.13	144.10	129.96	157.14	128.28	138.80
Austria (19)	160.14	+3.6	147.61	158.64	+1.6	1.54	154.24	145.14	156.15	160.14	92.64	87.62
Belgium (63)	142.38	+2.5	131.24	140.63	+0.4	3.93	138.87	130.68	140.07	142.98	125.58	119.16
Canada (123)	148.06	+0.1	136.47	126.24	−0.2	3.20	147.90	139.17	126.53	153.59	124.67	118.32
Denmark (36)	197.53	+1.3	182.07	198.21	−0.8	1.59	195.00	183.50	200.43	219.89	165.35	130.43
Finland (26)	128.72	+1.3	118.64	116.43	−0.8	2.38	127.06	119.58	117.34	159.16	125.81	115.50
France (126)	136.64	+1.8	125.95	138.30	−0.4	2.72	134.29	126.37	138.87	136.64	112.57	97.00
West Germany (97)	102.27	+3.0	94.26	101.31	+0.8	2.02	99.31	93.48	100.66	102.27	79.56	79.08
Hong Kong (48)	114.20	+0.0	105.26	114.42	+0.0	4.90	114.17	107.43	114.42	140.33	86.41	100.35
Ireland (17)	158.78	+3.1	146.35	159.87	+0.7	2.77	154.00	144.92	158.80	166.69	125.00	129.45
Italy (87)	94.74	+1.6	87.32	97.35	−0.5	2.35	93.27	87.77	97.86	98.73	74.97	72.23
Japan (455)	183.39	+2.1	169.04	165.37	+0.0	0.48	179.68	169.08	165.37	200.11	164.22	155.64
Malaysia (36)	203.04	+0.4	187.15	210.04	+0.0	2.48	202.17	190.25	210.00	203.04	143.35	134.54
Mexico (13)	316.41	−0.8	291.64	894.27	−0.5	0.56	318.31	299.54	898.94	321.99	153.32	164.30
Netherland (43)	130.77	+1.5	120.53	128.35	−0.7	4.13	128.84	121.24	129.25	130.77	110.63	101.28
New Zealand (20)	82.90	+0.8	76.41	73.73	+0.0	4.86	82.40	77.55	73.73	86.18	62.84	70.40
Norway (24)	188.29	+1.8	173.55	178.32	+0.0	1.45	185.41	174.47	178.36	198.39	139.82	111.88
Singapore (26)	167.40	+0.8	154.29	151.54	+0.0	1.84	166.09	156.29	151.54	170.62	124.57	116.15
South Africa (60)	158.04	+0.8	145.67	138.46	+0.8	4.09	156.73	147.48	137.59	158.04	115.35	100.68
Spain (43)	167.11	+2.3	154.03	151.67	+0.5	3.40	163.40	153.77	150.64	167.11	143.14	134.98
Sweden (35)	177.85	+0.3	163.92	170.87	−1.1	2.01	177.32	166.87	172.73	188.94	138.45	119.62
Switzerland (64)	91.47	+1.8	84.31	93.94	+0.0	2.01	89.73	64.43	93.95	94.18	67.81	77.29
United Kingdom (306)	156.11	+1.7	143.89	143.89	−0.4	4.14	153.54	144.49	144.49	158.41	133.28	124.27
USA (548)	139.97	−0.7	129.01	139.97	−0.7	3.29	140.99	132.66	140.99	143.84	112.13	109.99
Europe (996)	132.67	+1.9	122.28	127.30	−0.2	3.27	130.17	122.50	127.64	132.67	112.63	103.06
Nordic (121)	166.12	+0.8	153.12	156.01	−0.8	1.62	164.73	155.02	157.25	178.38	137.95	113.50
Pacific Basin (670)	179.72	+2.0	165.65	162.07	+0.0	0.73	176.22	165.83	162.05	194.72	160.44	152.68
Euro—Pacific (1666)	161.04	+2.0	148.43	148.04	−0.1	1.58	157.94	148.63	148.12	166.98	141.56	132.87
North America (871)	140.35	−0.7	129.37	139.11	−0.7	3.28	141.31	132.97	140.06	144.24	112.79	110.42
Europe Ex. UK (690)	117.62	+2.1	108.41	117.01	+0.0	2.64	115.20	108.41	117.03	117.62	96.30	89.78
Pacific Ex. Japan (215)	135.48	+0.7	124.88	120.64	+0.1	4.66	134.55	126.62	120.47	137.65	111.93	117.14
World Ex. US (1862)	160.66	+1.9	148.08	147.48	−0.1	1.68	157.68	148.38	147.54	168.35	141.49	132.07
World Ex. UK (2104)	151.84	+1.0	139.96	144.98	−0.3	1.98	150.39	141.52	145.36	155.68	136.98	123.37
World Ex. So. Af. (2350)	152.17	+1.0	140.26	144.90	−0.3	2.17	150.62	141.74	145.31	155.92	136.67	123.57
World Ex. Japan (1955)	137.64	+0.3	126.87	134.57	−0.5	3.34	137.18	129.10	135.19	138.29	114.51	108.04
The World Index (2410)	152.21	+1.0	140.29	144.86	−0.3	2.18	150.66	141.77	145.26	155.89	136.68	123.43

Amendments to indices for September 22 applied to the US and related regional indices.

Constituent change 25/9/89:Deletion AEG (West Germany).